

USAID/Kampala

EVALUATION OF IDEA PROJECT

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LIST OF ACRONYMS

ADB	Africa Development Bank
ADC	Agribusiness Development Center
AIMS	Agribusiness Impact Monitoring Systems
ANEPP	Agricultural Non-Traditional Export Promotion Program
ANR	Agricultural/Natural Resources Office, USAID
APDF	The Africa Project Development Facility
ARC	Agricultural Resource Center
ATAIN	Agribusiness Training and Input Network
AT (U)	Appropriate Technology, Uganda
BAF	Business and Finance
BAT	British American Tobacco
BOU	Bank of Uganda
BUCADEF	Buganda Kingdom Development Fund
BUFA	Bugangaizi Farmers' Association
CAA	Civil Aviation Authority
CAEC	Continuing Agriculture Education Centre
CAF	Consultant Access Fund
Cal Poly	California Polytechnic University at San Luis Obispo
CBMS	Community Based Marketing System
CDP	Cocoa Development Programme
CEI	Commodity Exports International Limited
CIAT	Central Internacional de Agricultura Tropical
COLEACP	Organization for Promotion of European imports of Fresh Fruits and Vegetables from African, Caribbean and Pacific Countries
CLS	Contractor Logistical Support
CO	Contracts Officer
COP	Chief of Party
COTR	Contract Officer's Technical Representative
DCI	Development Consultants International Limited
DFCU	Development Finance Company of Uganda
EADB	East Africa Development Bank
ECABREN	East and Central African Bean Research Network
EIR	Environmental Impact Review
EOPS	End of Project Status
ET	Education and Training
EU	European Union
FAO	Food and Agriculture Office, United Nations
FEWS	Famine Early Warning System
FY	Financial Year
GDP	Gross Domestic Product
GOU	Government of Uganda
HO	Home Office
HORTEXA	Uganda Horticultural Exporters Association
HV	High Value
IDEA	Investment in Developing Export Agriculture

IARCs	International Agricultural Research Centres
IEE	Initial Environmental Examination
IFCD	Irish Foundation for Cooperative Development
IITA	International Institute for Tropical Agriculture
ISC	IDEA Steering Committee
KARI	Kawanda Agricultural Research Institute
KREDA	Kamuli Rural Enterprise Development Association
LAWODA	Lira Apac Women's and Orphans Development Association
LIWODA	Luuka Iganga Women Development Association
LOE	Level of Effort
LOP	Life of Project
LTTA	Long Term Technical Assistance
LV	Low Value
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
M&E	Monitoring and Evaluation
MPEP	Ministry of Planning and Economic Development
MKIS	Market Information Services
MPED	Ministry of Planning and Economic Development
MTAC	Management Training and Advisory Centre
MTEA	Multi-purpose Training and Employment Association
MNS	Market News Service
MTI	Ministry of Trade and Industry
MU	Makerere University
MUFAF	MU Faculty of Agriculture and Forestry
NAARI	Namulonge Agricultural and Animal Research Institute
NARO	National Agricultural Research Organization
NEIC	National Environment Information Centre
NEMA	National Environment Management Authority
NGO	Non Governmental Organisation
NSARWU	National Strategy for the Advancement of Rural Women in Uganda
NTAE	Non-Traditional Agricultural Export
PACD	Project Activity Completion Date
PHH	Post Harvest Handling
PM	Project Management
PP	Project Paper
PVO	Private Voluntary Organisation
PSF	Private Sector Foundation
PTA	Preferential Trade Area
PY	Project Year
PCV	Peace Corps Volunteer
RAMS	Rural Agricultural Marketing Systems
REE	Research, Education and Training
REDSO/ESA	Regional Economic Development Support Office/E & S Africa
RSA	Republic of South Africa
SA	Strengthening Associations
SAFAD	Silsoe Aid for Appropriate Development
SG 2000	Sasakawa-Global 2000
SO 1	Strategic Objective Number One

SOW	Scope of Work
STTA	Short-term Technical Assistance
TA	Technical Assistance
TOR	Terms of Reference
UAWMPE	Uganda Association of Women Mushroom Producers and Exporters
UCA	Uganda Cooperative Alliance
UCFA	Uganda Commercial Farmers Association
UDB	Uganda Development Bank
UEPB	Uganda Export Promotion Board
UFA	Uganda Floricultural Association
UFEA	Uganda Flowers Exporters Association
UGEA	Uganda Grain Exporters' Association
UHA	Uganda Honey Bee Keepers Association
UIA	Uganda Investment Authority
UIB	Uganda Institute of Bankers
UMA	Uganda Manufacturers Association
UMA/CIS	UMA/Consultancy and Information Services
UMI	Uganda Management Institute
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
UNFA	Uganda National Farmers Association
UNVA	Uganda National Vanilla Association
UoI	University of Illinois
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
USh	Uganda Shilling
USP	Uganda Seed Project
UWESO	Uganda Women's Effort to Save Orphans
VCF	Venture Capital Fund
VOCA	Volunteers in Overseas Cooperative Assistance
WB	World Bank
WFP	World Food Program

EXECUTIVE SUMMARY

The USAID Uganda's Investment in Developing Export Agriculture (IDEA) Project is a 5-year \$25 million project that commenced in 1995. It is designed to increase the export of Uganda's Non-Traditional Agricultural products. It focuses on flowers, fruits and vegetables, spices, maize and beans. It does not work with coffee, tobacco, tea, and cotton, which are considered traditional exports.

The Project is one of the major activities designed with the Government of Uganda to realize the USAID Mission's Strategic Objective of increasing incomes for rural men and women. The project is implemented in collaboration with the Ministry of Tourism, Trade and Industry (MTTI). The Project is provided oversight by an IDEA Steering Committee (ISC) composed of representatives from USAID, selected Private Voluntary Organizations, Ugandan public and private stakeholders, and Peace Corps.

The project is made up of two elements, the Agribusiness Development Centre (ADC) and a Grants Program. The ADC is the operating wing of the project and it focuses on improving production and marketing of selected commodities and is implemented by a TA team provided by an institutional contractor, Chemonics International Inc. The USAID Mission administers the Grants program. It is designed to provide financial support for research and technical assistance for the commodities targeted by the ADC.

The TA contract provides for a 52-month extension conditioned on satisfactory performance and availability of funds. The major purpose of the evaluation was to assess performance and advise on extension of the Project and the institutional contract. The evaluation found that the project had achieved or exceeded most of its targets. It is expected that by the end of the initial 5 years, the project will have achieved all major targets. The project has put in place a well-qualified team of technical assistants and has developed efficient management of the project. It has exceeded its targets by, amongst other things, being proactive in creating partnerships with a wide range of organizations. The ADC is seen as a centre of excellence for agricultural export promotion by the private sector, Government of Uganda and other donors.

The Project has succeeded in generating annual exports of approximately \$20 million per year of high value commodities and \$17 million per year (in 1998) of low value commodities. Increased incomes from maize and bean production in the range of \$7 million per annum have been achieved. The project has developed an innovative system for private sector input supply and technology transfer. It has developed a group of exporters of high value products that provides Uganda with a core of agri-businesses capable of competing in global markets.

The Project has had a positive impact on generating income for rural households. The high value export enterprises have generated an estimated 4,000 permanent jobs and increased revenue to 23,650 small holders and employees. Work with generating increased production and trade of maize and beans has impacted on 120,000 small scale farmers by providing improved production and post-harvest handling technologies. Annual benefits to these individual farmers are estimated

to be in the range of \$50 to \$200 depending on the amount of land planted to new varieties and managed with improved production techniques

The project is putting in place structures that can eventually sustain growth without continued donor investment

Major Findings

It is unquestionable that the Project is serving its purpose in achieving its goal and purpose by increasing household incomes through NTAEs. All the Project targets are being met or exceeded which the Evaluators attribute to excellent contractor performance. IDEA interventions are widely known in Uganda.

The Low Value (maize and beans) component has been successful in developing and widely extending improved technologies and as such has done an excellent job of addressing the primary cause of low farmer incomes - inefficient production practices. It should now devote more effort to identifying and developing producer groups that are the most capable of using more efficient technologies to produce quality products for commercial markets. Now that the project has the experience in extending technologies, effort should also be made to explore the production and marketing of other staple commodities such as confectionery crops (sesame and groundnuts).

The High Value component has a sound approach to identifying and developing high value exports. It will need to avoid overload by continuing to be rigorous in choosing the activities that have the highest potential. The high value export sector will need support from the Project, the Mission and the Government to maintain and increase competitiveness in the global market. Areas for particular attention are use of market information, pesticide use and handling safety, improving mechanisms for financing and credit, and improving the efficiency of transport and handling.

Developing competitive agriculture sectors has a high potential for payoff to USAID investments. But full payoff can only be achieved by staying with the effort for a relatively long period. The Mission's life of strategy in this area should be a minimum of 10 years. Shorter-term strategies for increasing incomes will probably not have broad impact nor be sustainable.

Overall, the Project can be made more efficient by screening out activities that do not have direct impact on increased exports or improved farm gate incomes. Additionally, the project must continue to be rigorous in choosing activities and partners that have high payoff to management time and technical assistance.

Major Recommendations

In light of the progress made, lessons learned and with a view to consolidating achievements, the following recommendations are put forward

- Review the life of the SO1 strategy to determine the length of time necessary to achieving major changes in economic sectors that will result in sustainable income increases for rural men and women. In the opinion of the evaluators, based on case histories from other countries, and the fledging state of development in Uganda, another decade is a realistic commitment for NTAE interventions
- Extend the Project at the least through 2004
- Add two more expatriate long-term technical assistants and two more local long-term technical specialists to the Low Value and High Value components but do not replace the expatriate long-term technical assistants under Business and Finance and Research Education
- With the exception of continuing the grant to APDF, the Mission should phase out the current USAID managed grants program. Resources from the Grants element should be used for the same purposes but should be managed to the extent feasible by the ADC. Also, to the extent possible, simpler mechanisms such as direct purchase of inputs and fixed fee contracts for services should be used in place of grants

IDEA EVALUATION

I BACKGROUND

The IDEA Project was initially designed as a 5-year \$25 million project focusing on

- * Expanding low value food exports to regional markets, and,
- * Increasing production and export of high value products

The project is to achieve these objectives by providing support to private exporters and traders through a vertically integrated "commodity systems" approach. The IDEA Project is being implemented through an institutional contract with Chemonics, which began in April, 1995 and is scheduled to terminate on February 23, 2000. The contract contains a pre-competed option for a contract extension of 52 months. This extension is conditioned on satisfactory performance during the first phase and availability of funds.

In 1997 the Mission reengineered and reorganized its portfolio around Strategic Objectives. It incorporated IDEA into SO1, the objective of which is to increase incomes of rural men and women. The IDEA project is a key component of this SO and has as its purpose to increase non-traditional agricultural exports (which essentially excludes already structured sectors such as coffee, tea, cotton and tobacco). The project has two major elements, the Agribusiness Development Centre (ADC) and a Grants management aspect. The ADC element focuses on improving production and marketing of selected commodities and is implemented by a TA team provided by Chemonics. The Grants element is administered by the USAID Mission. It is designed to provide financial support for research and technical assistance for the commodities targeted by the Project. The planned GOU contribution to the project over the initial 5-year period is \$1,000,000.

There are a number of other Mission activities under SO1 which complement the IDEA project. Among these are FEWS, the ACDI/VOCA PL-480 local currency funds, the ACDI/VOCA volunteers and the Post Harvest Handling and Storage (PHHS) Project. IDEA is carried out in collaboration with a wide range of partners including other donors, Private Volunteer Organizations (PVOs) and host country associations. The project is officially sanctioned by a SO agreement signed between USAID/Uganda and the Ministry of Tourism, Trade and Industry (MTTI). The Project is provided oversight by a steering committee composed of representatives of USAID, MTTI, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the National Agricultural Research Organisation (NARO), Makerere University (MU), Peace Corps (PCVs), VOCA and representatives from producers and trade associations. A list of current steering committee members is found in Annex 4.

IDEA was preceded by the ANEPP Project, which focussed on setting a favourable policy environment and then later provided hands on support for NTAE development. ANEPP provided the analysis that led to the IDEA Project's initial commodity focus (maize, dry beans and high value horticultural crops) and initiated activities to address many of the operational constraints facing new entrants into the sector.

A. Previous Evaluation

The IDEA project was last evaluated 2 years ago (Feb-Mar 1997). The purpose of the evaluation was to examine the progress of the project and to make recommendations for future planning and implementation. The evaluation was to be used to fine tune on-going implementation of activities, identify where the project was having its greatest impact and to identify where progress had been less than anticipated.

Overall, the evaluation team felt the project was making excellent progress toward achieving its objectives. It was concluded that the "commodity systems" approach was working and it was recommended that the project continue its private sector NTAE client focus. The evaluation team noted that the achievement of intermediate results such as, technology packages developed, number of field demonstrations, field day attendance, seed multiplication activities, and market information dissemination would indicate that good progress was being made toward achieving the project purpose.

On the high value side, the project was already exceeding its LOP targets for increasing the export value of HV crops. The main concern the evaluation team had with the High Value Component was the fact that limited TA and financial resources were affecting the extent to which technology packages could be disseminated and utilized.

There was a strong indication that income increases as a result of an increase in low and high value crop exports were being realized. On the low value side, it was found that income increases were likely to arise from an increase in the adoption of technologies that increased labour and land productivity. For high value crop producers, income increases were being realized through access to markets that allowed clients/beneficiaries to receive higher net returns to land and labour than before. In addition, there was a good indication that there would be increased income in the support service industries due to increased demand for these services. However, more information was needed to determine what trade-offs were being made at the household level in order to more accurately capture income impacts. It was recommended that the project make improvements in recording impact.

Areas where project impact had been less than anticipated were in association development and business and finance support activities. The project assumption was that commodity associations could be the major vehicle for developing a sustainable structure for providing the technical and business support services to producers and exporters. It was, however, found that associations would only have that capacity after the creation of strong and sustainable firms.

Following this observation, project work with associations was accordingly modified during the first phase. The ADC continues to support associations, but only as a communication vehicle between the ADC and the member firms on common issues such as training and regulatory issues. Similarly, it was originally assumed that banks would be willing to change their lending practices to provide loans on the basis of sound business plans. Banks were, however, found to be reluctant to abandon their requirement of high levels of collateral for loan backing and were generally reluctant to invest in agriculture. This has required the project to devote much more time to mediating loan requests than was originally anticipated.

The evaluation team felt that increasing field level presence had the greatest potential for increasing project impact. It was therefore recommended that the project continue to explore options to increase ADC's field presence.

B Purpose

The present evaluation (second) was scheduled for the end of the first five years of the Project, September 1999. It was moved forward to February/April 1999 to provide timely input into several major Mission management decisions. The current PACD has been extended by the signature of the SO agreement through September 2002. However, the period of the current TA contract ends on February 23, 2000.

This evaluation is to provide a retrospective analysis of progress and impact and advise on extending the current TA contract. It is also to provide revised results framework and indicators for a second phase of the contract. Additionally it examines the Grants component of the Project with a view to providing guidance on the effectiveness of the mechanism and guiding decisions on allotting additional resources and improving management. More generally, the report examines the effectiveness of the project in achieving SO1 results and responding to the GOU strategy. The terms of reference for the Evaluation are found in Annex 5.

C Methodology

The first evaluation (1997) conducted extensive field interviews to verify the achievements and activities of the project and the reliability of project activity monitoring. The project was found to have an effective monitoring system and project reports provided an accurate reflection of the activities and progress achieved. The current evaluation relies heavily on the information provided by the project for both retrospective analysis and conclusions on the work achieved to date, as well as, analysis leading to recommendations on future activities. In addition, the present evaluators met with the entire ADC team, most of the collaborators, other donors and about 25 of the ADC clients during field visits and client visits to the ADC. The project has a built in capacity to identify and explore new activities. This capacity has permitted the project to lay the groundwork for forward planning. The report provides a brief description of the activities undertaken to permit the reader to understand the project and follow the discussion of findings. This description does not always do justice to the complexity and breadth of these activities. The project TAs have done an admirable job of documenting what they do and how they do it. Issues

related to more detailed aspects of the project not found in this report can readily be explored via the project reports and training documents. Some of the reference materials reviewed during the evaluation exercise are cited in Annex 6. The list of contacts made is shown in Annex 7.

D Agribusiness Development Centre (ADC)

The Agribusiness Development Centre (ADC) was created by the institutional contractor and is the headquarters for operations of the project. It is funded directly by the TA contract but it also collaborates closely with other Projects and Mission Activities such as the Grants element of the IDEA project, the Famine Early Warning Systems (FEWS) Project and the ACDI/VOCA PL-480 Program. Many donors and PVOs and the Government of Uganda who are working in agriculture look to the ADC for sector expertise and advice in project planning.

By being an acknowledged center of expertise, the ADC has been able to leverage additional resources for achieving Project goals by partnering with other donors and PVOs. The Centre's approach to defining and implementing activities is based on a market-led, commodity sector approach which initiates activities by first looking at market opportunities and constraints for a Ugandan agricultural commodity that falls within the project definition of a non-traditional agricultural export. Based on this initial screening, the selected commodities are further screened to determine the feasibility of overcoming marketing and production constraints. The more promising commodities are further pursued via an array of activities chosen on the constraint that is being addressed.

The ADC (with resources from the Grants element of the project) shares risks of developing certain commodities by sharing the costs with producers and traders for market research, market linkages, overcoming transport constraints, adaptive research, improving management and production techniques and association development. It assists in developing loan requests and obtaining financing for enterprises and providing production and business management advisory services. It also provides market information and other information relative to policy and regulatory issues and assists the various commodity sectors as well as the government and donors in understanding and overcoming related constraints. Informal training, including the use of field demonstrations is an integral part of project assistance. High value sectors have been approached more on an individual producer/processor basis. Low value commodities have been approached from a broader approach to reach the wide range of clientele involved in low value commodity production.

The ADC operates under the Mission SOI Agreement with the Ministry of Tourism, Trade and Industry (MTTI). It is provided guidance by the IDEA Steering Committee (ISC) which was created with the intention of achieving broad stakeholder input into the Project. Via the Steering Committee, the ADC has permanent official working relationships with public sector entities such as the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the National Agricultural Research Organization (NARO), the Uganda Export Promotion Board (UEPB), and with the private sector via the six commodity and professional associations that are represented on the committee. The ADC has an open door policy that encourages individual contact on a daily basis.

with private firms, public sector officials, and other donors. USAID has specific responsibilities for technical and managerial oversight of the ADC.

The Centre is currently organized around a High Value Component and a Low Value Component. These are supported by five other components, Management, Business and Finance, Monitoring and Evaluation, Association Strengthening, and Education and Training. It implements activities via a wide array of partnership arrangements with PVOs, commodity associations, and private enterprises. It is currently staffed by three Expatriate Long-term Technical Assistants (LTTA) and five Ugandan Technical Assistants. Two former expatriate LTTAs completed their tours of duty.

II LOW VALUE COMPONENT

Uganda, due to its land availability and favourable growing conditions, has the potential to greatly increase production and exports of food crops to surrounding countries. In years when production conditions are favorable, Uganda generates surplus for export. But this surplus is primarily the result of subsistence farmers marketing excess production achieved as a result of favorable rainfall. Consequently, national production fluctuates widely from year to year. The ADC found that Uganda could not be a reliable supplier of commodities to export markets without creating a larger number of farmers who are oriented toward market production and have access to the technologies and inputs necessary to efficiently generate surplus on a regular basis. The project has therefore developed a strategy for increasing Uganda's ability to produce surplus commodities by addressing the following areas:

- development and promotion of more efficient production technologies,
- development of sustainable sources of input supply,
- improvement of marketing efficiency and market access

The crops targeted by the Project and mandated by the contract under the Low Value Component are maize and beans. Both of these commodities present opportunities for export and at the same time offer opportunities for broad based and gender equitable income generation and food security. The project is exploring the feasibility of further development of peanuts and sesame.

The Project is concentrated on 12 districts. These are Kasese, Kabale, Iganga, Kapchorwa, Kamuli, Rakai, Masaka, Masindi, Mpigi, Mbale, Nakasongola and Apac. These districts were chosen on the basis of potential to produce marketable surplus, access to markets and the availability of partner organizations to support Project interventions. The ADC has the latitude to operate in other districts if there are opportunities for meeting project goals.

The client groups are small subsistence level farmers, commercial farmers, stockists and traders. For the purposes of characterizing target groups, the ADC has defined three categories of client farmers. The first is subsistence farmers who farm for home consumption and farm less than six acres. The second is small scale commercial farmers whose farms run from 6 to 50 acres and are committed to farming as a business for profit but don't own their own farming equipment. The third is mechanized farms of more than 50 acres who are described as medium scale commercial farmers.

The Project uses a commodity chain approach to the development of production and marketing of targeted crops. Traditional extension approaches have focussed only on transferring improved production technologies. The approach used by the ADC recognizes that improved production capacity requires not only improved technologies, but access to credit, sustainable input supply and reliable output markets. The ADC has developed a program that addresses the total spectrum of constraints in each commodity chain and links the achievement of production increases to input and output markets.

A Description of Activities and Project Progress

1 Technology Development and Transfer

The IDEA Project, in collaboration with a wide range of partners such as NARO, Stockists, NGOs and PVOs, has developed and promoted a package of improved production and post-harvest technologies for maize and beans. The essential components of the production technology package are

- improved varieties,
- fertilizer use,
- seed dressing,
- optimum plant density,
- timely planting,
- line planting,
- weed control,
- pest scouting and control,
- crop rotations

This package is promoted via demonstrations at the village level for small scale farmers, specialized training courses for aspiring commercial farmers and advisory services to established commercial farms and collaborating partners. Improved production practices are also promoted via a regular series of radio programs in 5 local languages and newspaper articles.

Demonstration Program

In order to overcome the overall lack of production, the Project, in partnership with PVOs, NGO's and extension services has undertaken a large scale demonstration program to promote the practices described above. Contract targets for this program were set to reach 9,000 farmers by the end of the Project. The ADC has far exceeded this target. In 4 years this program has grown to 4,000 demonstrations annually that have reached an estimated 150,000 farm families. This effort is particularly significant because it is the only systematically organized outreach program in Uganda.

This program has been successful in creating a significant number of adopters and has been an ideal mechanism for providing an opportunity to rural households to improve their income levels.

The Project is beginning to obtain some information on adoption rates. These rates vary widely between districts. The adoption rate for improved seed ranges from 25 to 85%. Adoption of proper spacing ranges from 33 to 90%. Adoption of fertilizer use is in the range of 1 to 25%.

As a result of the demonstrations, a large number of farmers are now taking the initiative to procure their own inputs from stockists and are no longer relying on project interventions for input supply

Commercial Farmers

The Commercial Farmers program includes both formal training programs and on-farm advisory services. The planning target set by the ADC for the program in 1998 was the establishment of 1,250 hectares of commercial farming activities. The project is currently assisting 16 farms and the planning target for the Project has been 100% achieved. Annual production from these farms in 1998 was 6,200 Mt

The project conducts short training courses for commercial farmers. This program commenced in 1998. Forty farmers have been trained to date. There is a strong demand for this training. One hundred forty candidates have applied for attendance. The program will be expanded and held during both growing seasons in 1999.

During the early years of the first phase, there was some ambivalence about this program in the Mission due to the concern that it was favoring a wealthier client group. This debate inhibited the ADC from setting higher work planning targets and devoting more energy to the program in general. It has been shown however, that there is significant scope for achieving project goals via this program if there is sufficient resources for providing technical support.

The commercial farmer program is important to increasing commodity production and volumes for export. Although the subsistence group can produce a surplus during excellent seasons, this is obviously unreliable. It is impossible to achieve market penetration without a reliable supply of quality commodity. The commercial intervention is therefore a means to securing a position for Uganda in quality oriented regional and international markets. This secure position will benefit subsistence farmers when surpluses are produced.

The ADC feels that the program is an integral part of its strategy and the current SO1 Team is favorable to providing wholehearted support. It is anticipated that the ADC will increase efforts to develop this program. Planning targets for the commercial program should be increased to at least 5,000 hectares and should target at least two hundred clients.

Technology Development

The Project's efforts in technology development have been concentrated on the development and/or testing of improved varieties. Variety release and introduction builds on breeding work done by NARO, International Agricultural Research Centers (CIAT and CIMMYT) and Private Seed Companies. The Project has assisted this work via the Grants element, which supports operating expenses for the NARO Maize and Bean Programs and technical oversight from ADC. There is also a Seed Multiplication and Distribution grant line item administered through a PIO/C. Project support has been most useful in the improvement, development and testing of improved

varieties and hybrids and completing the screening process necessary for their official release

The Ugandan maize Longe 1 is a composite variety released by NARO approximately a decade ago. It has been the major maize variety promoted by NARO for improved maize production. The Project provided support to the NARO maize program to improve the variety by incorporating additional disease resistance. The yield potential of Longe 1 has been increased by approximately two tons and now has a demonstrated yield potential under optimal conditions of 6,800 kg/ha and is adapted to a wider range of production environments.

The Project has assisted NARO in developing two locally bred hybrids and has introduced two hybrids from private seed companies in Zimbabwe. These have all been officially released and seed production initiated. These are the first hybrids to be officially approved and released in Uganda. The two Ugandan hybrids developed with Project assistance have yield potentials of 7,500kg/ha and 8,400 kg/ha. The yield potential of the two hybrids introduced from Zimbabwe is 9,300 kg/hectare and 10,200 kg/ha.

All of the above yield figures are much higher than other improved Ugandan varieties, which have yields in the range of 2,000 to 4,000 kg/ha. Yield potential of traditional (unimproved) varieties is generally in the range of 1,000 to 2,000 kg/ha.

For beans, the project has managed to shift the emphasis in varietal development from an inward focus on local markets to the development of materials that have the potential for local, regional and international export markets. This has resulted in the release of two high yielding white types (large and small seeded) as well as one dark red Kidney and a sugar type bean which are in high demand in Southern Africa. Project support has also resulted in the release of three climbing bean varieties for use on small farms in the highland areas.

One major achievement of the Project has been to force the issue of officially releasing varieties. Prior to the meeting held in March 1999 the Variety Release Committee had not met for 5 years. Failure to officially sanction new varieties is a disincentive to crop breeders because their professional recognition is achieved via this process. More importantly, the development of a modern seed industry is dependent on seed producers knowing the quality and characteristics of the varieties that are being provided to them by research institutions. Official release of varieties guarantees that this information is generated and also sends a clear signal to seed producers and input suppliers that the varieties can be extended to farmers with full confidence in their performance potential.

Now that the Project has succeeded in obtaining release of several high yielding varieties the issue of release is not an immediate obstacle to project implementation. Nevertheless it should be noted that the official release process for new varieties, which is overseen by NARO, has been slower than necessary. The project, and more importantly producers, are dependent on NARO for the development and testing of varieties. If NARO is going to be an effective partner it needs to increase its commitment to making the varietal release process functional and to guaranteeing adequate supplies of foundation seed to private seed producers.

Although not mandated by the contract, the ADC has taken the initiative to work with groundnuts and sesame. It has supported the development of an improved groundnut variety and is now bulking seeds for its demonstration and production. For sesame the project has initiated trials for developing improved agronomic practices. Most recently the Project has also begun collaborating with Novartis, the Kinyara Sugar Works and NARO on conducting trials of newly developed sugar beet varieties for tropical environments. The project is also working on the development of improved fertilizer recommendations for maize and the extension of the use of green manure crops. Different termite control measures are also being explored.

Seed Multiplication and Distribution

The Project has achieved notable success in Seed Multiplication and Distribution. The Project's achievement in increasing seed sales is one of the strongest indicators of its success in achieving adoption of improved technology and increased production. From a seed sale baseline for maize of 200 Mt per annum in 1995, the project has seen sales increase by an average of 50% per annum. Current total sales of seed maize exceed 1,500 Mt per annum. This quantity is sufficient for seeding approximately 50,000 hectares.

One private farm and three PVO/NGO groups are being assisted by the Project in undertaking multiplication and distribution of bean seed. The Project has provided funding (from PL-480 funds), improved seed and technical advice to these groups. Sale of improved bean seed has increased from next to nothing at the beginning of the project in 1996 to 500 Mt for the first season of 1999.

Most of the seed production in Uganda has been done by the Uganda Seed Project (USP) using contract farmers and it still produces the largest part of the seed distributed. However, the Project is playing a very positive role in developing private seed firms by developing seed demand to the point where seed production is attractive for private firms. The increased market demand has stimulated 2 private firms to register as seed houses and establish their own contract growers, inspection and certification procedures and marketing linkages. One private firm has been licensed to produce the hybrids introduced from Zimbabwe. The Project is also assisting private firms by providing technical advice on seed production and handling and linking seed producers to distributors. One of the private firms assisted by the project has achieved annual sales of 2,000 tons to relief agencies operating outside the project zone in the north. This result is not directly related to the Project's primary focus, but it is an example of the success the Project is having in creating greater strength in the Ugandan agricultural sector. Hybrid seed production is now beginning. Twenty metric tons were produced during the past two seasons. Projected consumption of hybrid seeds for the 1999B season is 100 tons. Private firms are now in a position to begin assuming much of the market that is currently held by USP.

2 Stockist Program & Input Supply

Prior to the IDEA Project, agricultural input requirements in Uganda were addressed by ad hoc, public/donor schemes that provided fertilizer and seeds on a subsidized basis. This approach to input supply is non-sustainable and inefficient and very few inputs were actually distributed or payments remitted. Sustained improvements in agricultural production cannot be achieved without creating a supply system, which is financially sustainable and has distribution networks that provide outlets that are geographically situated close to producers.

The IDEA Project has addressed this problem by creating an innovative input supply system that is based on existing businesses in rural areas. This program called the Agent Training And Input Network (ATAIN) links national level importers to regional distributors who in turn supply rural retailers (stockists) via a loan guarantee scheme created by the ADC using funds provided by the PL-480 program. Under this arrangement distributors place inputs with stockists and receive payment each time the stockist's inventory is replenished. The major inputs handled by this program are fertilizer, seed and, to a lesser extent, crop chemicals. Seeds are provided to distributors by the Uganda Seed Project either on a cash or credit basis depending upon the credit worthiness of the distributor.

The program entails training of participating distributors and stockists in business management, product knowledge, safe use of pesticides, and the application of the improved technology package. Stockists are being trained to provide technical information to farmers to accompany the sale of inputs and are being assisted and encouraged to set up demonstration plots. Via this program the Project is creating a sustainable input supply system that also provides information and technical outreach services. The program currently covers 25 regional distributors and 106 stockists. The major portion of seed sales for the project are now handled by this system which sold approximately 800 tons of maize and 500 tons of bean seed in the 1999A season. Fertilizer sales have reached approximately 300 tons. The program is now servicing the input requirements of 6,900 farmers.

The GOU is currently elaborating its strategy for the modernization of agriculture. The stockist program is now seen as a model by the GOU for providing production inputs on a private and sustainable basis.

This private approach to providing inputs has been rendered more difficult by GOU and other donor practices of providing fertilizer and seeds for free, with heavy subsidies or by using non-transparent distributions systems. The Mission has included this issue in its policy dialogue with other donors and the GOU. The Ministry of Agriculture is at least in theory supporting the ADC in discouraging donor and NGO give-aways. Nevertheless this continues to be a problem. The Japanese are providing fertilizer to selected local importers who in turn retail them at subsidized prices. This fertilizer is not the correct formulation for most producers' needs. The bigger problem with this program is that it creates a disincentive to private input traders who have attempted to supply the Uganda market without subsidies. The input supply network that the ADC is attempting to put in place could be disrupted by this program. The Mission should

continue its vigorous efforts to discourage the GOU from supporting subsidized input schemes

3 Marketing and Post Harvest Handling

Project activities in marketing include training in post-harvest handling, provision of market information to producers and traders, assisting linkages between producers and traders, linking traders to export markets and assisting traders in obtaining credit for grain purchases (which is more thoroughly described in the Business and Finance section of this report) As an example of the progress that the Project is achieving, in 1998 the Project generated formal sales of 45,000 metric tons of maize and beans to relief agencies and 8,000 metric tons to private purchasers

One major activity is the Community Based Marketing System (CBMS) This program has developed 25 buying centers in 3 districts, which assists village level producers groups to improve handling and bulking of product and links them to traders This program stimulates, for the first time in Uganda, the production of quality, market-ready maize from the village

The major formal market identified for maize and beans since project inception has been WFP for relief feeding in Uganda and neighboring countries Some formal contracts for supply of regional markets, mainly in Kenya, have also been filled by Ugandan traders Unreliable supply and, more recently, the temporary imposition of a 32% tariff barrier by Kenya, has hampered the development of formal maize export markets The Kenyan tariff has forced the maize trade toward informal channels The major traders are not able to compete in this informal sector It is estimated that 50% of exports from Uganda are via informal channels

The market information program has encountered problems of execution The failure of the GOU counterpart funds resulted in the loss of staff and operating funds for running this program In spite of these problems the Project has, in collaboration with the FEWS Project, the Ministry of Agriculture and other partners, succeeded in producing production forecasts

Staffing problems aside, the Market Information System needs improvement in focus It is not clear that the purpose of the MIS is clearly enough defined to have significant impact on increasing sales and exports The hypotheses for the program needs to be reexamined in terms of who uses the information and its usefulness to traders and farmers in making decisions and improving market efficiency

Given the difficulty of organizing village level farmers associations for marketing, the sale, via the interventions of the Community Based Marketing System, of 1,300 Mt of quality maize in 1998 is a noteworthy achievement At the same time, when held to the light of the quantities that are required to permit Uganda to play a major role in exports, this quantity is modest Making Uganda a significant player in formal markets will require reliable sources of supply of at least 100,000 tons The CBMS appears to require a heavy investment in training, credit management and oversight The ADC should reevaluate the effectiveness of this pilot approach and modify it to make it more efficient by shifting it to traders and associations that operate at higher levels in the

marketing chain such as sub-district and district level markets. The name of the program should be modified to reflect this shift. The marketing effort could be better defined if there were a better analysis of the marketing opportunities that are being targeted.

The availability of storage technologies is not seen as a major constraint to achieving project targets. The main challenge is introducing them where they are shown to be profitable. This should be focused at all levels, but the biggest potential payoff is most likely with commercial farmers and traders. Overall the project has found that attempts by small farmers to hold products in order to benefit from seasonal price rises are not successful because the increase in prices are offset by storage losses. Building dryers and improved storage structures at the small farmer level is constrained by the reluctance of farmers to make what is a relatively large investment and the high investment in extension services necessary to extending these technologies. The Mission is planning to increase linkages between the ADC and the Post-Harvest Handling and Storage (PHHS) Project by incorporating the Post Harvest Advisor into the ADC team. This will enable the PHHS to benefit from the ADC's market led approach and target the technologies that it provides to specific opportunities.

4 Finance and Credit

Co-operative Bank was initially perceived as the bank to approach for financing maize and bean production and trade activity. With few exceptions, attempts by the ADC to facilitate credit for clients with this bank have been frustrating and non-productive. This bank is slow in processing loans, it requires high levels of collateral and it is reluctant to make loans based on crop production. Only a handful of producers have been provided loans.

The ADC has therefore looked for other alternatives to obtain credit for commercial farmers in the low value crops. It is working with the Centenary Rural Development Bank Ltd. to develop an agricultural credit program that will provide operating credit to commercial farmers on the basis of production and potential cash flow as opposed to collateral. This openness to change by the Bank is a result of ADC's work with the Centenary branch in Mbale to provide production loans to commercial farmers over the past two seasons. These loans have been recovered on time and the Bank now perceives farm loans as a potential area of business opportunity. Also, in an attempt to provide additional resources for short-term production credit, the ADC has developed a \$2 million proposal to create a commercial farmer loan guarantee fund. This is currently being vetted by the European Union and the GOU Ministry of Finance for funding under the European Union's STABEX program.

To date the Project (BAF in collaboration with the Low Value Component) has assisted clients in the development of 17 loan requests ranging in value from \$3,000 to \$100,000. Most requests are in the range of \$10,000. Given the difficulties encountered in obtaining loans this is a major achievement. This initial breakthrough in accessing credit lays the groundwork for creating greater bank confidence in making farm loans.

B Low Value Component Impact on Achieving SO1 Goals

The following table provides a review of LV progress on achieving the contract indicators agreed to for the first phase

Table of Project Indicators for the Low Value Component

Indicator	LOP Target	Quantity/ Value achieved	% LOP Target
Farmgate value of maize & beans (US\$ million)	7 50	11 50	153 *
Export value maize & beans (US\$ million)	20	17	85 *
Exporters initiate NTAE activities (number assisted)	25	16	64
Packages developed and demonstrated			
- Number of sites (p a)	6	4,000	>66,000
- Farmers reached	9,000	150,000	>1300
Entities multiply and distribute seeds	a) Public/private and NGO's multiply seed b) Volume of improved seed sales increase by 5-10% p a	a) 9 New firms multiplying and or distributing b) Seed sales increase by 50% p a	100% ^ 500%
Commodity Specific market information collected and disseminated	Information collected and disseminated	Regional, local and international information collected and disseminated	100%

* Based on 1998 year end project statistics (Official UEPB figures for maize and beans \$28 7 million 143% of target)

^ No baseline figure stated in contract

The project has achieved or exceeded most of its targets in the Low Value Component. It is expected that by the end of the 5th year the Project will have achieved all major targets. There are some qualitative indicators of progress, which should be added to the quantitative ones. The project has put in place a well-qualified team of technical assistants and has developed efficient management of the component. It has exceeded its targets by being proactive in creating partnerships with a wide range of organizations. It has performed subsector analyses that provide sound guidance to choosing interventions. The creation of the stockist program has been innovatively managed and offers prospects for creating a sustainable system of outreach and input supply.

The ADC is seen as a center of excellence and a leader in development of the low value commodity sectors by the Ugandan private sector and the donor community. The planning of the World Bank extension program has drawn heavily on lessons learned by the ADCs grassroots initiatives in increasing agricultural productivity. The GOU is increasingly looking toward the Project as a model for implementing its modernization strategy. USAID Missions in the ECA Region are more and more looking toward the IDEA Project to provide lessons in designing projects to address the transformation of agriculture in Africa.

The project is still developing information on socio-economic impact. An impact study on maize and beans has been completed. These studies notwithstanding, it is difficult to get conclusive information on household level socio-economic impact. Monitoring impact in the low value commodities is difficult due to several factors. Among these are the large numbers of small holders involved in production, increased output is often consumed at the household level, and, most of the production surplus is marketed through informal channels.

Any estimate of economic impact made at this point is based on somewhat theoretical yield figures. Actual production increases attributable to project interventions will vary depending on rainfall and the precision of production management. Output prices will also vary accordingly. Using an estimate based on seed sales and data on the adoption rates of different technical practices, a best guess of the project's overall economic impact is that it could be generating additional income in the range of \$5-7 Million a year. Seed production and sales are continuing to increase at a high rate. With the continuing increase in availability of inputs and the increase in the number of demonstrations and adopters this figure will continue to increase annually. Based on the Project's investment in the Low Value component, it would appear that the project is achieving an excellent rate of return. The project is putting in place interventions that can eventually sustain growth without continued donor investment.

This aggregate increase in income is spread over approximately 120,000 beneficiaries. Based on the aggregate figure above it would average somewhere in the range of \$50 to \$80 per household. Households that apply the improved production technologies to relatively larger areas and/or manage their production more efficiently could obtain increases in income at a level which would have significant impact on improving their quality of life and ability to move out of the poverty level and evolve from subsistence to commercial production.

The impact study done in 1997/98 for Maize and Beans is based on a comparative sample of 900 farmers in seven districts. It found that for ADC beneficiaries, production costs per unit area of Maize and Beans were higher than for non-beneficiaries because of seed purchases. However, these costs were more than offset by higher productivity and the resulting reduction in unit costs of production. Yields of beneficiaries were shown to be 20%-100% higher than non-beneficiaries. Maize accounted for roughly 80% of the increase in income. Beans have a much lower yield to seed ratio and this accounts to some extent for the lower contribution to income. A large part of the increased output of beans is consumed on farm. This consumption in addition to providing in-kind income also resulted in improved nutritional status.

An impact study for beans carried out in 3 districts in 1997 found that the ADC was reaching 5,888 bean growers of which 4,836 were women (4,515 of which were in one district). The area cultivated was 361 hectares over two seasons. Returns to labor and inputs were approximately 60% higher for one of the improved varieties (K131) than for unimproved varieties. Income data based on interviews with 60 farmers shows that project beneficiaries had incomes from bean production which were US\$ 20,000 to 50,000 greater than income derived from bean production by non-beneficiaries. Overall it was found that beneficiaries had higher household incomes and larger proportions of their incomes are from maize and beans. Women beneficiaries have higher level incomes than women who are non-beneficiaries. Household income of both beneficiaries and non-beneficiaries had increased substantially since the baseline survey done in 1995 but increases of beneficiaries were greater than those of non-beneficiaries and beneficiaries achieved higher increases in income from production of beans. The study attributes some of these increases to output prices that were substantially higher during the period of the study (1996/97) than during the period of the baseline survey.

Finally it should be added that work in marketing and input supply is generating additional income and employment. At this point a rough estimate of additional jobs created by seed production and input sales is in the range of 200 - 300. But these programs are crucial to achieving increases in production and their impact should be judged from that standpoint as well.

C LV Issues, Constraints and Recommendations

1 Maintain Project Momentum

It is important that the Mission maintain project momentum in all these areas of LV interventions. Every effort should be made to maintain the structures and institutional knowledge that are in place.

2 Increased Technical Assistance for LV Component

Project leadership has developed a sound guiding vision for implementing the Low Value Component and it has also developed well conceived interventions that respond to the constraints and opportunities in the commodity sectors that the project addresses. The scope and impact of these interventions has been limited by the lack of technical assistance necessary for implementation of activities on a wider scale. Implementation of the technical recommendations that are found in this report is dependent to some extent on providing additional technical assistance. Increased funding to other line items will have limited impact without an increase in technical assistance.

It is recommended that the Mission add resources to the Project to provide one more expatriate LTTA and one more Local Specialist for the Low Value component. This expanded capacity would allow the Project to increase the scope of successful activities in developing maize and bean production and further develop other low value commodities. This capacity could be further enhanced by providing the resources to fund the employment of eight local field agents for a period of at least three years.

3 Improved Monitoring of Impact

The monitoring process for the LV component needs revision. The current contract outputs, indicators, and monitoring systems developed in 1993 are conceived in terms of process indicators rather than results. The design relies on the assumption that if the process is completed then impact will be achieved.

National farmgate and export values, which are the higher level indicators for the success of the LV Component, are almost meaningless as indicators of impact. They are difficult to quantify accurately, and they cannot be directly attributed to the Project. The Project is having a substantial impact on increasing production but this increase needs to be tracked via the Project's interventions that contribute to it.

Production, exports and prices fluctuate widely according to weather and market factors. At this point these factors have far greater bearing on exports than project interventions. Also the impact of the LV component can not be judged solely by looking at exports. The monitoring system needs to capture the effect on incomes as a result of sales to internal markets. This may be more significant than tracking exports.

The number of demonstrations implemented has limited value as an indicator if it is not enriched by monitoring of adoption and information that permits Project staff to assess the factors that affect adoption and determine the best opportunities for increasing production. The number of traders and clients assisted is equally weak as an indicator if the content and results of that assistance are not assessed. These weaknesses in the definition of indicators and targets makes it difficult not only to monitor progress but it also makes it difficult to make judgments about the efficiency of Project interventions and relate investment to output. A change to more meaningful indicators will require a more intensive and costly monitoring system. But the payoff to this should be found in the information that is generated to shape interventions that have high impact. The results framework provided in Section XII should provide the basis for modifying the Project's monitoring system. The indicators suggested in this framework can be used to develop a monitoring system that tracks impact on production, sales and income.

Based on the above observations it is recommended that the major indicators for success of the Low Value component be changed to include the sales to internal markets as well as exports and that the monitoring system be modified to more closely relate promotion and adoption of improved technologies to impact on household incomes.

4 Targeting Producers and Markets

The Project should focus outreach efforts on creating structured, efficient production and linking that production to more clearly defined market opportunities. In general this will imply a shift of emphasis toward work with commercial farmers and/or small scale farmers that have the potential and commitment to evolve from subsistence production to commercial production of quality produce. This approach is highly consistent with the GOUs strategy for modernizing agriculture.

It is recommended that the Project review the factors that favor sustained adoption and high productivity and target interventions accordingly. It is also recommended that the Project more clearly define the market opportunities that it is targeting as well. This exercise should also be used to determine what other extension organizations and PVOs are doing and how ADC can best use its comparative advantage in developing Market-led production development.

5 Alternative Commodities

The ADC workload involved in promoting beans and maize has left little time to focus on other crops, and has been directed by the contract to target these commodities. Nevertheless, the Low Value Component needs the same latitude as the High Value Component to explore and develop new opportunities on a market led basis.

The Project should maintain its core thrust on increasing maize and bean production but it still needs to develop other crops that can widen economic alternatives and fit rotations. There are still no clearly defined rotational schemes for commercial farming. Without these, farmers will resort to maize on maize with the resultant pest and fertility problems.

There is a range of potential crops that may warrant further attention. Generating supply for the feed industry may also hold promise as a market opportunity. The project has initiated some activities with groundnuts, sesame, sunflower and sugar beets and made some investigations into the feasibility of soybeans. This orientation toward identifying other commodities should be encouraged and fully sanctioned by the TA contract.

6 Geographic Focus

Geographic focus per se has not been raised as an issue but there may be linkages between the geographic areas and the linkages to other markets and crops. Changes in geographic focus, if any, during the second phase should be defined on the basis of market and production opportunity and the overall resource envelope available to the project.

7 Credit

Credit will always be problematical and will continue to be a constraint to the low value sector. This can be overcome to some extent by concentrating SOI credit resources on the areas that show the highest potential for increased income in the rural sector and using credit institutions, whatever their weaknesses, as a means to increased production. The LV component clients can access producer credit via the ACDI/VOCA PL-480 Risk Fund and also may obtain credit from the Centenary Rural Development Bank Ltd. The ADC should continue to identify, quantify and develop potential sources of credit and equate credit resources to the production and export targets that are set for the second phase.

There is a good potential for developing increased production with medium scale commercial farmers. One of the major obstacles to developing this potential is a lack of access to short term production loans. These loans are in the range of \$20,000 to \$50,000 per season. The Mission should place an emphasis on using its credit resources to target this client category. It should also use its influence with the Ministry of Finance to obtain approval of EU Stabex funds for financing the "Harvest Fund" proposal developed by the ADC.

8 Production Technologies

The technologies available "on the shelf" are adequate for the Project to move forward with its efforts to achieve increased production. There is no need to continue to invest heavily in local research support programs. Any short-term needs for variety testing or developing improved agronomic practices should be done on a contract basis.

The Project should be commended for introducing privately developed hybrids from outside the country and thereby creating a precedent in Uganda for accessing outside generated technologies. This initiative should be pursued by looking for technologies available from all sources. This should be seen as an opportunity to link to international seed companies and provide openings for biotechnology engineered varieties.

Some of the possibilities in this area may be in using genetic engineering to transfer disease and pest resistance to Bananas, Maize and Beans. Some work on bananas has been undertaken by the FHIA in Honduras and by IITA. This work should be examined for its potential to supply improved varieties to Uganda. There are BT maize varieties being developed in South Africa that may prove of interest.

The ADC has already elected to focus on developing universal bean varieties. Support for development of varieties for small scale subsistence level producers is being addressed by CIAT, ECABREN and NARO. Support to research on beans should be specific to developing universal bean varieties that can be produced using mechanized production. CIAT has developed erect bean varieties for mechanized harvesting. The project should explore the feasibility of adapting these varieties to Uganda. Research contracts with private companies and IARCs should be considered. NARO may need to be included as a partner in these arrangements to facilitate entry of new technologies in to Uganda.

Finally, the feasibility of using local deposits of rock phosphates and lime as an economical way to maintaining soil fertility may warrant investigation by the ADC.

III HIGH VALUE COMPONENT

A Description of Activities and Project Progress

In the area of high value crop development the ADC works in four main focus areas

- * Intensive technology transfer and training to active clients,
- * Maintenance only for selected clients and commodities,
- * Identification and training of additional processors and traders, and,
- * Provision of customized marketing support and market analysis

The HV team carries out market analyses and marketing trials to determine the sectors in which Uganda can be the most competitive. The HV team provides direct support to new and existing firms in commodity groups that have been targeted due to their production and market potential. ADC HV crop support consists of assistance to large and small commercial farmers in the production of cut flowers, fresh fruit and vegetables, and essential oils and spices. Since 1997, the team has also been working on cocoa since it is an important export crop for small holders. The target client list includes capital intensive farms (farms that require a high investment in infrastructure such as green houses, irrigation and storage facilities), as well as labor-intensive farms and groups of farmers.

The IDEA project exceeded its life of project export targets in cut flowers, fresh fruit and vegetables and essential oils and spices in 1998. The table below provides a review of HV progress in achieving the contract indicators agreed to for the first phase.

These achievements are impressive. At the time the Project began it was starting from scratch in these sectors or at a very low base. It should also be noted that production in both 1997 (wet) and 1998 (dry) was adversely affected by El Nino, hence even greater achievements should be anticipated in normal rainfall years.

In the space of four years the value of high value exports being generated as a result of assistance from the Project is approximately \$20 Million per year. The IDEA project is definitely contributing to solid growth in the sector and increased diversity of Uganda's export base. IDEA is essentially the only project supporting the HV sector in Uganda. The Project has definitely proven that Uganda can compete in selected export markets.

The progress described above would not have been possible without a pragmatic approach to Project planning. The ADC has developed a sound methodology for choosing priorities. This warrants mention as a major contributing factor to achieving the Project's results.

Table of Project Indicators for the High Value Component

Indicator	LOP Target	Achievement (as at end of 1998)	% of LOP target Achieved *
Export value of flowers (US \$ mill)	5 00	12 50	250
Export value of fresh fruit & vegetables (US \$ mill)	0 37	2 37	641
Export values of essential oils & spices (US \$ mill)	1 10	4 92	447
Estimated rural employment in flowers (person years)	1,400	3,950	282
Estimated rural employment in fruits and vegetables (person years)	1,000	3,600	360
Estimated rural employment in oils and spices (person years)	5,000	12,100	242
% women in flowers	40	75	188
% women in fruits and vegetables	40	75	188
% women in oils and spices	40	50	125
Number of research agreements completed	15	7	47

* Based on 1998 year end project statistics

In developing commodity chains and sectors there are a broad array of constraints that can and do arise. They can be biological constraints that inhibit production, regulatory constraints that inhibit transport, financial constraints, cost constraints or problems of organizational and management capacity.

One of the advantages of the IDEA Project Design is that it offers the flexibility to intervene where opportunity for impact is the highest. One of the strengths of the ADC is the working methodology it has developed for identifying opportunities and constraints on an evolving basis. This methodology starts with an initial market analysis to identify commodities that are new to Uganda or commodities that are being grown in Uganda that present opportunities for increased earnings by increasing production efficiency and/or improving handling and processing.

Promising commodities are further screened by production, processing and marketing trials that permit the project and producers/exporters to gain a real world experience with the commodity and identify the constraints to its development. The decisions and priorities resulting from this process are firmly grounded in hands on experience and are therefore highly credible and useful.

for making Project management decisions on choosing commodities for focus, determining what constraints to tackle and what level of effort is warranted in each area.

Having promising commodity opportunities represents one side of the coin. The other side is screening potential clients to determine if they have the necessary resources and commitment to be successful producers, traders, exporters or processors.

B Contribution of Project to Meeting SO Objectives

Although household level impact data is still very patchy (see section on M & E for suggestions on how to better capture SO impact data) the evaluation team made an effort to use existing data to estimate impacts of the HV component.

The HV export sector is having positive impacts on food security and incomes, as well as reducing poverty and realizing nutritional and health benefits. Impact studies on passion fruit (1997), fresh produce (1997), roses (1997) and vanilla (1998) indicate incomes have increased for participating farmers and exporters, however, more comprehensive figures are needed to accurately document these benefits (see M & E section).

These impact studies indicate that the project is contributing to increased competitiveness of individual farmers and firms, increasing land and labor productivity. Also impact studies suggest that the project is linking the poor to markets.

In 1997 the estimated number of beneficiaries from HV NTAEs were

Flowers and Plants	3,950
Fruit and Vegetable	3,600
Essential Oils & Spices	12,100
Cocoa	<u>4,000</u>
Total	23,650

In the flower industry we know that most of the 3,950 beneficiaries were as a result of new jobs created. The impact assessment conducted for Rose farms in Jan/Feb 1997 indicated that 65% to 80% of the employees were women and that the lowest cadre of employees earned approximately Shs 462,000 per annum (264 working days). Employees at the supervisory level earned on average Shs 878,000 per annum. It is probably safe to assume one supervisor per 100 workers, therefore total employment income was approximately Shs 1,841.5 million (\$1.375 million). For fresh produce the impact study of March 1997, indicates a positive increase in income over the period 1994 - 1996. Average household income for fresh produce producers increased from Shs 320,000 to Shs 1,150,000. For these households this represented an increase in the percentage of household income coming from fresh produce production from 21% in 1994 to 49% in 1996.

The impact study on vanilla (April 1998) indicates that the net income per hectare from vanilla for smallholder farms is Shs 3,201,750 and Shs 5,120,000 for estate farms. Of the farms engaged in vanilla production, vanilla provided between 35% and 55% of total income realized from the farm. There are estimated to be between 2,000 and 5,000 vanilla producers. The report estimates that at least 2,500 men and women in vanilla have been impacted by the IDEA project.

Most of the impact studies recognize that there is income and employment benefits being realized through sectors providing services to the NTAE sector, but it is difficult to quantify. There are multiplier impacts obtained from input supply, transportation and other services on the domestic economy.

C Specific Constraints and Areas for Emphasis

1 Prioritization of Commodities and Sectors

During the first phase the ADC has more clearly identified and prioritized commodities according to their potential for growth and the investments in money and human resources necessary to realize that potential. For large commercial firms highest ranking for further development is Cut Flowers (roses in particular). There is also good potential to expand the production of flower "cuttings" (chrysanthemum). However, experience during the first phase has led the ADC team to conclude that fresh fruits and vegetables have the potential to outperform flowers if serious investors can be identified. Work in this area should also be a priority. Over the next phase they could achieve a big increase in exports.

Cocoa, papain, vanilla and some fruits and vegetables are proven winners for small holders and the project is targeting them for expansion. Bananas (both cooking bananas for local/regional consumption and apple bananas for export), and asparagus, although less proven, show potential and the ADC will continue working on them.

There hasn't been much success with birds eye chili and other spices yet, although vanilla is doing well, but ADC advisors feel prospects warrant further effort. The HV team also sees enough potential opportunities in investing in pack-houses and juice processing (e.g. passion juice) to warrant further in-depth analysis.

Finally, based on experience in the first phase, there are commodities which have proven to be poor performers and are therefore being de-emphasized. The specific commodities and the reasons for this is as follows:

- Essential oils, development of this sector is difficult. There is a lack of interested investors, production conditions are limiting, and the organization of the sector requires more effort than the potential payoff would warrant.
- Prospects for the development of dried fruits, vegetables and mushrooms into viable commodity chains are poor. Due to climatic conditions, it is hard to dry fruits and

vegetables on a large scale, these commodities have been found to have limited market opportunities and phytosanitary assurances are not possible

- Honey is considered to be a low potential crop. Supply is limited and collection and processing is difficult. International demand is low for the quality of honey produced locally.

2 Emphasize Floriculture

There is a recognized need for more focused support to the floriculture sector. There are now 18 flower farms (85 HA) in Uganda and the ADC team feels this can expand to 200 HA. This sub-sector has a large impact on export volume and foreign exchange earnings as well as impact on rural employment (30-40 employees/ha, mainly women). These farms are seen as pioneers of high-technology type enterprises and their success will have an effect on new investment. Special effort needs to be made to keep the floriculture sector moving forward to achieve its potential and to ensure against sliding backwards and losing some of what has been achieved so far.

Floriculture in general and rose farming in particular is becoming more competitive. This emphasizes the need to improve business and production management and variety selection. These factors are becoming increasingly crucial for maintaining competitiveness in global markets. The HV team should play an increasing role in improving the management capabilities of client firms and developing their capacity to follow and respond to market shifts in varieties.

Emphasis in this sector should be on existing firms that in turn will lead to expansion of their operations to benefit from economies of scale. Locating investors to take over from "problem firms" is also a priority. New floriculture opportunities involving different flowers should be investigated.

3 Airfreight and Handling

The availability of airfreight space and inefficiencies in cargo handling at the airport are two important constraints that need to be addressed. Regularly scheduled commercial cargo space is filling up, especially during peak periods, and there is still not enough demand to set up regular charter cargo flights. In addition, there are problems with delivery of commodities at the airport with increasing numbers of exporters "on the tarmac" seeking cargo space. This has resulted in some exporters losing consignments. Hence, there is a need to do some consolidation of shipments and organization of exporters. It is recommended that ADC provide TA to help sort out these two problems. Assistance should be provided to analyze airfreight options with charter and regularly scheduled flights to help negotiate contracts which will ensure that adequate cargo space is available. The project should also provide assistance in analyzing how freight handling at the airport can be done more efficiently,

looking at options for consolidation of shipments, providing extra storage space in the cold store area and perhaps the establishment of a pack-house on site

4 Financing

Financing is still an important constraint to the development of the HV sector and there is a need for the BAF unit to continue to seek new options (see the section on the BAF component) Both the EU and USAID are initiating export finance schemes These may provide relief to some of the larger exporters But generally, there have been a sufficient number of defaulters in all the commodity groups and bank scandals to the point that the project (and Uganda in general) enters an era of debt aversion

5 Increasing Competitiveness

The high value sector in Uganda has many natural advantages and the sector has the potential for high payoff But it operates in a highly competitive global environment Maintaining competitiveness requires that the sector be highly dynamic by closely following and responding to market trends and requirements Ugandan firms and the Ugandan public institutions that support agribusiness will need increased awareness of and ability to track WTO regulations, importing country regulations, codes of practice, transport issues, technology changes and lessons being learned in the sector world wide Much of this ability comes only with maturity in the sector But this learning process can be fostered and accelerated by the ADC by including it in its management and information programs The Mission can support this effort in its dialogue with the GOU This could include assistance in policy analysis and also providing opportunities for GOU officials to benefit from lessons learned in other countries

The ADC should continue to address the code of practice on environment, employee welfare and food safety Increasing HV exports necessarily means increasing reliance on chemical inputs and the need to handle them properly to insure against negative impacts on the environment It should insure producers and processors are complying with food safety standards of their targeted markets and that employees are receiving fair treatment

6 Improved Marketing Information Service

The ADC will need to intensify its market information systems by increasing ADC capacity to provide high quality, timely market information to HV clients Price data is already supplied on a weekly basis to clients, but clients and prospective clients are demanding additional market information and analysis

7 Grants

The ADC should continue using grants to implement specific, relevant and well targeted research work Costs should be shared with clients to introduce technological innovations

8 Technical Assistance

The Project can obtain a high marginal rate of return to increasing Technical Assistance and the use of Field Officers. Implementation of the above recommendations will require the addition of one expatriate and one local advisor. LTTA to the HV component. This would bring the total number to two expatriates and two local advisors. One group should devote their time to work on HV crops that are produced by small-scale farmers (vanilla, cocoa, papain, bananas, to a lesser degree chili, ginger). The second group would focus on Commercial Horticultural production (roses, other cut flowers, cuttings, fruit & vegetables) and market development.

In order to provide adequate support to the Technical Assistants the ADC should also recruit 5 Field Officers (IFOs) that would also be servicing LV activity at the district level.

In addition to the four positions described below, the Project should continue to employ a highly experienced field advisor to provide additional one-on-one, hands-on TA in the field. The project has benefited greatly by the services of the field advisor that was provided by the APDF Grant to Hortexa. His services have enabled ADC to reach many more farmers.

D Follow-on Issues and Planning for Second Phase

The range of activities chosen by the ADC are the result of the needs identified via work with clients during the first phase. Overall the types of activities are appropriate and relevant. The ADC will need to continually assess and adjust the emphasis it places on specific activities in accordance with the payoff that they generate. A revised results framework for the contract is found in Section XII of this report. This framework provides a better planning structure for defining the High Value Component's activities and indicators. It does not change the essential orientation of the component.

Based on the progress achieved to date and the positive impact on SO1 goals it would appear that the Mission would have every reason to continue with the component of the Project into a second phase. The momentum gained should be maintained. Projections for continued growth in the High Value Sector made by the ADC appear to be reasonable. Based on project estimates of markets and production capacity in Uganda, it is estimated that key areas of floriculture, fresh produce, spices and cocoa have the potential to double in value of exports over the next 5 years.

One of the important reasons for maintaining continuity and momentum in the Project is that agri-business projects are extremely dynamic. Creating the formal and informal systems that provide the information necessary to guiding interventions is the biggest up front investment that a Project of this nature makes. The ADC has invested much in generating and maintaining the information base that permits it to refine its decision making process to make the optimal use of its resources. This approach, as evidenced above, is paying off. The Mission needs to fully capitalize on this investment by sticking with the project and helping

it move forward with a minimum of disruption. Failure to continue the Project would be a lost opportunity. Failure to maintain continuity would be wasteful. Once the Project dynamic is lost, it is difficult and costly to recreate. Some sectors that are providing payoff now could lose ground if support services are interrupted.

Experience gained during the first phase has led to the following general conclusions for shaping a second phase:

- Increase services as much as possible by expanding ADCs ability to provide specialized assistance to existing firms, promoting their sustainability,
- Continue support for new ventures,
- Continue to encourage diversification,
- Furthering commercialization of several well-established Ugandan NTAEs,
- Continue to promote outgrower participation,
- Concentrate on technology transfer, business development and economic analysis to attract new investments (essential to realize the potential of the HV NTAE sector), and,
- Continue technology transfer in the form of one-on-one TA.

There is a need to concentrate even more on high potential activities and in establishing a sustainable group of producers and exporters who can establish Uganda as a reputable and reliable supplier to export markets. By the end of the next phase there needs to be in place a sustainable core group of HV producers and exporters who can insure the industry can carry itself in a competitive world. There is considerable potential to expand HV exports, however this will require a concerted effort to continue to provide targeted assistance to existing firms to increase their competitiveness and increase their land and labor productivity. They also need continued effort in support of new ventures.

The HV team needs to emphasize assistance on crops and clients where competitive advantage has been demonstrated and market interest is high AND de-emphasize low-impact activities without closing the door to new opportunities. Some work needs to be placed on looking for new opportunities, since diversification is still important and world markets are dynamic. The ADC will need to determine to what extent efforts directed to sustaining existing HV NTAE firms are limiting their ability to assist in establishing new firms, and to determine the right balance in their support. Some HV producers can now stand on their own, but there are still many who will need continued assistance to survive. There is also a segment of clients that have been assisted and the eventual payoffs are too small (or the opportunity cost of servicing them is too great) so they should be weaned from ADC.

assistance

Work with small farmers can have a high payoff but it is TA intensive and requires permanent outreach agents stationed in the field. The ability to expand HV NTAEs is limited by field presence, therefore there is a need to expand the number of field staff. There is a need to better integrate LV and HV assistance to small farmers in order to get more out of limited resources at the district level.

IV. BUSINESS AND FINANCE COMPONENT

A Description of Activities

The Business and Finance (BAF) component of the project was established to complement the HV and LV components by providing business related technical assistance to ADC clients in the areas of business and operating plans, financial mediation and referrals, and agribusiness training. The BAF office was staffed with one expatriate LTTA and one Local Advisor LTTA until September 1998, when the expatriate's tour of duty was completed.

This component started off with the flawed assumption that banks would change their current loan policies that require high levels of collateral and equity to secure loans, to business oriented loan practices that would provide credit based on business plans and earning potential. This has had a negative impact on achieving the Project's goals and continues to be a stumbling block to the various credit schemes that have been developed for promoting business development. The BAF in collaboration with the LV and HV components has, very commendably, responded proactively to this situation by cultivating every possible arrangement to access credit for their clients. As a result the Project can now look for potential financing from, the revitalized Export Refinance Scheme and the Export Credit Guarantee Scheme, the ACDI/VOCA PL-480 Risk Fund, and perhaps eventually the Harvest Fund. They can continue to utilize the Consultants Access Fund (CAF) to provide support to clients in developing bankable business plans, and they can continue to manage ATAIN to provide support to distributors and stockists. With additional funding, ATAIN has potential for broad impact and rapid payoff.

The Project has recognized the obstacles of bankability of clients/ventures in light of a formal credit system characterized by high equity and quality collateral requirements and high interest rates. As a result, the Project has limited cost-sharing and grant resources to share risk. It also seeks other avenues for funding for clients such as PL-480, importer advances, payables credit, etc.

The following table gives a brief description of each one of the different funding mechanisms with which the Project is involved.

Business and Financial Linkages Component (BAF)

Sources of NTAE Finance for ADC Clients

Source/Scheme	Access Mechanism	Beneficiary Clients	Extent to which accessed
1 Normal commercial bank credit	Clients assisted with packaging financing proposals and applications, and mediation with banks	All Producers, traders, exporters, input dealers	Reasonable success, but amounts small and for short-term Commercial collateral and equity required
2 ADC-administered Scheme (ATAIN) \$96 000 funding by PL-480 for 3 years up to 2000	Credit guarantee to input distributors for credit sales to rural stockists Distributors sign ATAIN agreements with ADC	ATAIN distributors of agri-inputs	5 distributors with a total of 106 stockists 100% credit recovery is being achieved Need for additional funds to expand program
3 USAID/BOU Export Refinance Scheme	NTAE exporters with export orders / contracts Short-term working capital funds accessed through commercial banks	NTAE exporters (including those who sell in bulk to relief agencies e.g WFP)	3 ADC clients accessed the funds The scheme is being restructured for recapitalising with \$5 million It is liquidity funding with normal lending procedures but at lower interest
4 Export Credit Guarantee Scheme (USAID/BOU)	Proposal by BOU to establish credit guarantee for commercial bank loans to non-traditional exporters (guarantee up to 75%) Guarantee fund to be managed by BOU	NTAE players Both working capital and investment	Not yet implemented but in advanced stage Commercial banks use own funds and lending at normal commercial bank terms and requirements Guarantee fund only, no liquidity
5 Risk Fund Scheme (USAID / PL-480 funding to Coop Bank	Normal commercial bank credit procedures Collateral required Maximum of \$ 10,000 per borrower	Players dealing in food security crops (beans, maize and oil seed) including farmers, traders, processors, transporters and input dealers	6 ADC clients have accessed funds Still a lot of bureaucracy with bank (many applications pending) Liquid funding (no risk guarantee)
6 Consultant Access Fund (CAF) Project funds for Business Development	ADC clients access funding up to \$4000 for consultancy services provided by local consultants - cost share 25 75 (Client ADC)	ADC clients	Limited demand at the beginning but have now picked up Limited funds available

Source/Scheme	Access Mechanism	Beneficiary Clients	Extent to which accessed
7 Community Based Marketing System (CBMS)	Grant to village based associations with rural input procurement network	- Rural output traders - Farmers (receive premium price on delivery)	Pilot funding (by USAID) of US\$100,000 Proposal for additional funds from EU Stabex funds is not yet approved (ECU1 2m)
8 Harvest Fund	Proposal for commercial farm funding (special funding for NTAE commercial farmers)	ADC client commercial farms	Proposal for EU Stabex financing is pending with Ministry of Finance
9 Foreign loans/lines of credit e.g. ADB administered through UDB under restructuring	Clients requiring large and long term financing assisted with business plans and referred to ADB	Large investments requiring long term finance	1 ADC client (flower and veg grower) accessed the funds and 1 application pending with ADB
10 Other sources through APDF referrals (e.g. IFC, PTA Bank FMO) investment funds	A client referred to APDF for cost-share TA APDF mediates for financing once projects are deemed viable	Large investments requiring long-term finance	Good success (especially for flower growers) Demand for services still there Some venture capital
11 EIB Apex II Financing Scheme	Medium/long-term financing for private sector	Large investments requiring long-term financing	Not accessed Administered by Deloitte & Touche
12 Other mechanisms e.g. Commodity Exchange and Warehouse Receipts System	Proposals to assist players market their products and access short-term credit using warehouse receipts	All NTAE players (farmers, traders and exporters)	- Commodity exchange in final phase of being implemented - WRS in proposal form

B Progress

As a result of BAF mediation, 18 separate loans have been obtained for 12 clients from 8 different credit sources (7 banks and 1 commodity trader). The total of the loans obtained is \$2,175,000. Given the difficulties described above in working with commercial banks, this is an outstanding achievement. The ATAIN fund is providing loan guarantees to 5 distributors that serve 106 stockists.

Progress toward the attainment of life of project targets are presented in the table below

Table of Project Indicators for BAF Component

Indicator	LOP Target	Achievement (as at end of 1998)	% of LOP Target Achieved *
Number of firms assisted	50	34	68
Number of people trained in agribusiness planning and management	750	725	97

* Based on 1998 year end project statistics

Commercial banks are still a tough proposition. Nevertheless the BAF team has managed to assist clients in getting access to bank loan facilities. ADC staff still think there is some merit in continuing to pursue some proactive banks such as Stanbic, Standard Chartered and Centenary Bank. This is warranted given the fact that these banks are now providing credit to ADC clients.

C Constraints

Financial constraints are still a major factor in inhibiting the growth of NTAEs. These constraints still need serious attention. The BAF component needs to continue efforts to support HV and LV clients in developing sound business plans, management training and in leveraging commercial and donor assisted funds for its clientele. The BAF component will be most effective by being more systematic (strategic) in its approach to assisting clients in obtaining loans through facilities which currently exist and in searching for new ones. There is also a need to revise project performance targets to more realistic levels.

D Lessons Learned

- Developing good business plans will not necessarily lead to access of financing
- Credit worthiness and limited collateral of clients are major constraints to accessing financing
- There is still a lot that can be done to assist clients in accessing credit
- ADC assisted firms are considered by banks to be more credit-worthy
- Good business training, sound business plans and referrals can help, still equity and collateral are more important consideration for commercial banks

E Follow-up Issues

The BAF component should take steps to follow-up on

Consultant's Access Fund The project has been relying on this fund more, especially since the expatriate LTITA departed. The fund was originally \$25,000 under Specialized Activities – Business Development Support and is now down to around \$7,000. Anticipate using this more in the next phase, and therefore should replenish this account.

Export Refinance Scheme (ERS) USAID and IDEA have worked on making this scheme more accessible for exporters. It has the following features:

- Will increase liquidity for credit accessible for non-traditional exports (NTEs). The premise that commercial banks have sufficient liquidity of their own has not been validly tested as a number of borrowers are still turned away.
- As a specific financial product, the scheme will continue to boost NTAEs.
- Previous constraints to the success of the scheme, e.g., lack of specialised skills on the part of the lenders and managerial weaknesses of the borrowers will be addressed through training and TA.
- Unattractiveness of the scheme to commercial banks because of the low margins allowed to the banks compared to the high costs of administration will also be addressed.
- NTAEs, unlike previously, are growing stronger as a result of a number of interventions and TA, and have thus improved their creditworthiness.

Limitations

- The scheme still targets exporters (short-term credit on strength of confirmed export contracts). Thus other activities downstream do not directly benefit from it.
- Constraints of collateral and equity requirements from the would-be borrowers are not addressed. Thus a number of struggling NTAEs would still be shut out.

Export Credit Guarantee Fund Scheme (ECGFS) USAID has worked with BOU in getting this scheme in place. It has the following features:

- Guarantee for 75% recovery of commercial bank credit to eligible nontraditional export borrowers. Aimed at making NTEs' financing environment favourable/attractive by providing a lending comfort, by way of credit recovery assurance, to commercial banks. The guarantee reduces the non-recovery risks which has been a big hindrance to accessing credit, especially for borrowers with inadequate collateral.
- The premise here is that commercial banks have sufficient liquidity to lend to NTEs.

How beneficial will the scheme be to NTAEs?

- NTAEs with inadequate collateral, actually the majority of them do lack the conventional urban-based collateral required by banks, will have access to bank credit. The guarantee will provide added collateral.
- The scheme's eligible purpose is extended, includes non-working capital requirements e.g., investment in infrastructure such as cold storage, warehouses, pack-houses, drying and packaging facilities. These are critical for increased NTEs and yet a few financing products for them are available in the banks. Banks are largely interested in short-term working capital lending.
- Extended loan durations makes it more attractive to borrowers.
- Interest rates may drop owing to the reduced default risk and lower costs of recovery.

ACDI/VOCA PL-480 Risk Fund with the Co-op Bank IDEA may be able to access this fund for production-oriented credit for farmers and traders.

The component should also consider STTA to support economic analysis of investments in pack-houses and juice processing (e.g. passion) and general competitiveness analysis.

F Next Phase

BAF plans for the next phase should include

- Continue mediation to both HV and LV clients.
- Continue developing business and operating plans for large, medium and small-scale producers. Large firms can be referred to APDF. Medium and small firm business plans can be done in-house, or with STTA provided by the Project, or with experts provided by the Consultants Access Fund (CAF). To the extent feasible the CAF should be favored over bringing in STTA because it helps build local capacity. Oversight of business plans can be achieved by the use of the local expert on the Project.
- Continue financial mediation for both long-term and short-term financing.
- Continuing working with ATAIN in input supply support. Together with LV and HV, the BAF component should insure expansion of ATAIN for broader outreach and greater impact.
- Continue client assistance in record keeping.
- Continue to assist clients in management of outgrower operations.

- Continue pursuit of accessing and leveraging assistance from other activities which can assist clients in obtaining financial support for their businesses (ATAIN, ACDI/VOCA PL-480 Risk Fund, APDF, CAF, BUDS, Harvest Fund, Export Refinance Scheme)
- Either through STTA or local consultancies, the BAF component should also assist ADC in establishing a record of farm or firm level data for key export crops ADC is supporting. This would include actual figures on cost of production, yields, and returns so that an assessment can be made on how farmers are actually doing with specific crops and some comparisons can be made among the various crops which are being promoted. The ADC team is assuming farmers are behaving rationally, making money, but the Project needs more evidence and perhaps set some parameters (prices, yields, production costs) for farm level profitability. This should be done in collaboration with the M&E component.
- Continue BAF as a Support Unit to the LV and HV Components. The unit can function with the local BAF Specialist and, apart from demand driven STTA, does not need an expatriate LTTA. This frees up TA LOE in the overall IDEA Project to focus on the LV and HV Components.

V ASSOCIATION STRENGTHENING

A. Description of Activities

As noted in the last evaluation, the assumption underlying this component was basically flawed. The assumption was that broad-based commodity or group associations could be developed in the medium term to provide support services, and ensure the continuity of ADC-type services for NTAEs. Although project targets were met, most of the NTAE support associations remain weak and lack commitment from members. It has been noted that it is only when individual firms become strong that they then can begin to form strong associations. Since Uganda is still in the process of building strong firms, it is probably not realistic to expect to establish strong associations in the near term unless they emerge on their own.

ADC staff have provided the wide array of NTAE associations with considerable help in developing a vision, commodity support and in developing ideas of services they can provide. The project has put a lot of effort in strengthening these associations without a lot of payoff. Therefore the project should not be preoccupied over the sustainability of support organizations. The project can continue to help associations focus on provision of services where practical and feasible and support associations as they would do for other clients.

B Lessons Learned

- Associations will survive only if beneficiaries benefit permanently from the services provided. What counts most is sustainability of income flows of beneficiaries.
- Focussing on inputs (office space, equipment, etc.) is not enough and often distracts from the important tasks like defining mission and the delivery of real services to a membership base.
- There are too many NTAE associations currently in Uganda, the Project could put a lot into all these associations and get low or no payoff.

C Next Phase

ADC should look to support associations as they would assist other clients. Work with them on specific assignments and activities to help increase what they can offer members.

The IDEA Project should as much as possible try to channel assistance through associations as a way to increase the services they provide to members.

The ADC team should continue to work with selected grassroots rural based farmers associations in project areas.

VI. EDUCATION AND TRAINING COMPONENT

A Description of Activities and Progress

The training program has been effectively used to further the goals of the Project. Most training has been well targeted and demand-driven. The training component is a support function for the entire project. Much of its achievement is captured via the other components.

The Project has far exceeded its targets in providing skills training. As seen from the table below, most LOP targets had been exceeded by the end of the fourth project year.

Table of Project Indicator for Research, Extension and Education Component

Indicator/Activity	LOP Target	Quantity/ Value Achieved	% of LOP Target *
MSc students trained (number)	6	5	83+
Makerere University departments assisted (number)	3	3	100
Value of equipment delivered (US\$)	180,000	196,000	109
Student internships (number)	60	68	113
NTAE courses (number)	25	140	560
Participants trained (number)	750	13,021	1,736

* Based on progress made in four out of the initial five-year period

+ One MSc slot was used for alt Ph D program in Ag Econ in which 10 candidates were placed and 9 completed all courses

The Makerere Program for short courses in NTAE has been successful and popular with growers and technicians. Makerere has had difficulty in establishing this on a sustainable basis. The MSc participant trained in the U.S. and assigned to developing the Agribusiness program has only recently been integrated into Makerere staff. Makerere lacks staff with hands-on experience in agribusiness and short-term courses depend on outside short-term lecturers provided by the Project.

The intern program has been particularly successful. A number of interns have been placed permanently with producers after their internship. The program is beginning to create a corps of Ugandan agribusiness specialists in the NTAE sectors.

The U.S. MSc Program has had limited impact in achieving the Project's goals. Out of the four participants that have completed degrees so far, only one is working in an area related to the project.

The support to the Makerere PhD program in Agricultural Economics has enriched that program but this activity is not directly pertinent to meeting Project goals and draws on scarce management time

B Next Phase

The project should disengage from university institutional building exercises. The first phase has afforded the opportunity to learn what training programs have been directly effective in supporting the Project's goals. The second phase should concentrate on the training activities that have direct payoff and suspend activities that have less direct impact and/or require high levels of management time. The Project should stick with areas that are unique to the Project and won't be done by other organizations. Based on this criteria, the support for developing academic programs should be dropped. Other institutions can provide support for this.

The second phase should focus on specific, demand-driven, skills oriented training. Major areas for consideration under the second phase would be expansion of the intern program to agricultural colleges, continuation of NTAE short courses and courses specific to technical needs such as codes of practice and safe use of crop chemicals.

The component is adequately covered by a local expert. Recruitment of an expatriate LTTA for this component is therefore not necessary.

VII. MONITORING AND EVALUATION COMPONENT

A. Description of Activities

The Monitoring and Evaluation (M&E) Component is involved in

- Routine reporting on project inputs and outputs
- Collection of impact data through commodity impact assessment studies, socio-economic and household income data.
- Production of the Agri-Business Highlights magazine
- Assisting USAID with reporting requirements (CP, R4s, etc)

The main challenge this component faces is the lack of readily available data on the agricultural sector. Secondary data sources on export data are, however, improving and are fairly reliable on the HV side (air freight statistics). The ADC is seen as a source of HV export data which it gets directly from exporters and air freight figures. However, there is a tax disincentive to report full levels of official exports, resulting in a fair amount of under-reporting.

On the LV side, export data is not bad on official/formal exports, but a lot of LV exports pass through informal channels which does not get recorded and information is patchy at best. In general, household level data is not very reliable and there is no system in place in Uganda to collect this type of data. AID agencies (e.g. WFP) have some data, PL-480 has some data on maize, beans, oilseeds and cassava. FEWS project assists with precipitation information.

The M&E component has undertaken a number of impact studies on selected export commodities. However, they have turned out to either be incomplete or inconsistent, making comparisons and aggregation of data difficult.

The BOU in collaboration with relevant government organs, has established a committee on International Trade Statistics. The committee comprises projects and institutions involved in exports and imports (Ministries of Finance, Tourism, Trade and Industry, Agriculture, Uganda Revenue Authority, Uganda Export Promotion Board, Bank of Uganda, ADC, etc). They have been actively encouraging different stakeholders to contribute toward the streamlining and improving reliability of import and export data. The ADC's local Monitoring and Evaluation Specialist is on this team. This helps to consolidate the pieces of information which are being collected and to make some comparisons.

B Achievements

The M&E component is basically good at monitoring project inputs and outputs and achievement of targets. The monitoring system in place {Agribusiness Impact Monitoring Systems (AIMS)} is responsive to performance indicators and USAID reporting requirements.

The M&E component responded to the last evaluation recommendation to improve estimates on household income. The component commissioned a number of impact studies (covering maize, beans, flowers, fresh produce, and vanilla). There is, however, need to consolidate this information and continue to fill in gaps (see suggestions below).

C Constraints/Opportunities

Secondary data is poor, unreliable, especially at the household level. Macro level data concerning low value production, yields and consumption is also poor. The component should seize all opportunities to work with other stakeholders to greatly improve data on NTAEs, maize and beans production, crop forecasts, etc. This is a far reaching constraint, addressing it entirely is beyond the scope of a single project such as IDEA.

D Lessons Learned

- Can not rely on secondary data.
- Need to increase coverage and reliability by working with other stakeholders
- Will need to collect primary data on some of the key commodities the project is providing assistance on
- Can use export data to provide reasonable estimates for most of the HV export commodities which go through formal channels

E Follow-up Issues

- Need to improve impact data, increasing coverage and filling in gaps
- Need to work with USAID on completing a revised results framework for the Project and revising indicators to capture more data on Project impact on technology adoption, yields, production, trade, and household income
- Need to work with the BAF unit in collecting farm management data

F Next Phase

This component is functioning well under the management of a Local Specialist. The program should continue monitoring and reporting on progress in project implementation. It should redefine its impact monitoring program to better capture the impact that the Project is having on achieving S0 1 goals, particularly in the Low Value component (see recommendations below).

The Monitoring and Evaluation Unit should continue collaboration with other stakeholders, including the International Trade Statistics Committee (ITSC), PL-480 ACDI team, WFP, UEPB and FEWS. Recommendations on improving impact data monitoring are discussed below.

HV -- Since most HV crops are exported formally, it is possible to compile export figures from reliable sources. The project has good information of the structure of producers in vanilla and the rose industries to make estimates on income and employment impacts from export figures. It is recommended that ADC undertake studies which will provide a similar background for the other key (big impact) export sub-sectors (other cut flowers, fresh produce, papain and cocoa) such that reliable impact figures can be derived from export figures. According to the M&E advisor this is probably not a difficult task for cocoa, papain would probably be reasonable since there is only one major exporter, they would just need to estimate the number of producers, average yields/production and establish a baseline (the project has some of this information already). Bananas would be more problematical but could be done in some way focusing exclusively on project areas. The main problem with bananas is that formal exports may only capture a very small fraction of total exports since a lot are exported informally to regional markets. Also there is not a clear marketing channel for matooke and the majority of production is consumed on the domestic markets.

LV -- Getting reliable impact data on maize and beans is also a bit difficult. Hence, the M&E component needs to focus mostly on project areas. One recommendation is to undertake surveys in project areas to get profiles on maize and beans producers to get a picture of production practices, adoption rates and associated yields for different categories of adopters. Then by tracking maize seed purchases by region one could make some estimates regarding yields and income impacts. The M&E advisor thought this was feasible in most project areas especially where an input supply and distribution network exists. He thought the component could work with extension agents on a system similar to this.

Other recommendations/observations

The project may need to do more spot monitoring of selected border sites during appropriate seasons to keep up some estimate of informal trade (at least in regard to direction of flow, commodity mix, seasonality patterns and an estimate of volumes).

USAID may have to live with impact data from project areas (rather than national data) on the LV side (including bananas). Most of the HV impact indicators can be captured nationally.

The project is contributing to important multiplier benefits through the purchase of inputs and support services in the domestic economy. To-date attempts to capture this information have not been successful. The ADC team should do some specialized surveys to estimate this impact in targeted areas.

VIII MANAGEMENT COMPONENT

A Description of Activities and Progress

Management of the ADC has been well executed. This is evidenced by its success in achieving a high level of impact, high staff morale, efficient execution of tasks, well executed work planning and reporting, and the creation of a wide array of partnerships to leverage resources and increase project impact. These successes are complemented by the ADC's reputation for leadership and technical excellence among clients, government agencies and donors.

The Management of the ADC englobes a wide range of functions summarized as follows:

- Team building and leadership,
- Program oversight,
- Organization of technical planning and reporting,
- Financial planning, accounting and voucher submissions,
- Home Office Liaison,
- Logistical Support and Personnel Administration,
- Organization of Steering Committee Meetings,
- Technical and organizational supervision of the Grants Component,
- Representation of the ADC at government, donor, private sector and technical agency forums,
- Liaison with AID and Participation in Mission Planning Exercises,
- Obtaining AID approvals/concurrence,
- Advisory services to other USAID Projects,
- Information and liaison with foreign and local business concerns,
- Oversight of agreements with partner institutions (PVOs, Makerere University, NARO and Associations),
- Development of institutions to assume ADC's role after the Project.

The ADC is the victim of its own success which creates an ever-increasing load in providing information and performing representational, advisory and liaison functions. As this continues to increase the Management Component is approaching overload. Changes in USAID's planning process (reengineering) has also increased the burden on ADC management time, as have changes in Mission staff with the attendant reassessment of activities and priorities. The COP has addressed the problem of management load by cultivating local staff to assume increased responsibilities. Many of the logistic support functions have been assumed by a local staff member. Local professional staff are being called upon to assume more representational and liaison functions.

B Sustainability

Development of replacement organizations as stipulated in the original COP terms of reference has proven for a variety of reasons non viable as an approach to achieving

sustainability of ADCs services Accordingly less effort is being devoted to this function Sustainability can slowly be achieved in the various sectors with increases in the number of successful operations Associations will progress with the increase in number and competence of firms Many options have been explored to create a sustainable ADC capacity Local consulting firms lack experience and demand from donor organizations for their services are high This makes consulting for the private sector less attractive, unless of course it is donor funded ADC services can only be replaced over time as the local sectors evolve and more experienced consultants are generated by these sectors

C Conclusions

The Project design for the second phase needs to consider management load when developing activities Activities that have a high management cost should be screened out The ADC will have to be rigorous in choosing activities and partners that offer the prospect of a high payoff This means that they will have to be more selective in choosing partners and not attempt to accommodate too many collaborators This, however, is easier said than done The ADC is seen as the center of expertise for agricultural development and as a result, the Mission counts on the ADC to provide guidance and support to PVOs, NGOs and local associations The ADC cannot rebuff these partners without damaging relations for both the ADC and the Mission It is suggested that the ADC more rigorously define criteria for interventions (particularly in the Low Value Component) to screen out partner activities that are not, by virtue of activity, client or geographic focus, highly pertinent to increasing market oriented production

The Chief of Party needs the resources necessary for hiring a professional administrative officer Attempts to recruit locally for administrative staff have not worked out The contract may need increased resources to hire expatriate administrative staff In the event that the Grants Component or an equivalent resource is assumed under the TA contract, the contract will need to provide an additional staff member to handle the increased management load

IX GRANTS MANAGEMENT

The grants element of the IDEA Project was designed to provide operational funding for selected research and extension activities that supported the goals of the project. It works in tandem with the Agribusiness Development Center (ADC) which provides packaging of grant proposals and technical oversight to the work carried out under the grants awarded under this component. Grantees are prequalified by the ADC and are essentially clients of the ADC.

The USAID Mission administers the grants program. Criteria for the grants are established by the ADC and are based on the relevance of the Grant to the Project's goals of increasing NTAEs. Applications are reviewed by the Project Steering Committee. Applications that are approved are forwarded to the USAID Mission for implementation of a Grant Agreement or an implementation letter depending on the grantee. The Mission provides financial oversight and accounting for grants. The amount earmarked for grants under the first 5 years of the Project is \$3,313,650. The amount awarded to date is \$2,224,700 and the amount disbursed is \$1,215,979. A total of 38 grants/sub-grants have been awarded.

The Tables found in Annex 2 provide a full description of the grants provided to date. A list of cost-sharing activity within the Institutional Contract Specialized Activities is also included. A projection of grant requirements for the second phase has been made.

A Progress and Impact on SO1 Objectives

The progress and impact achieved by the Grants program is captured under reporting on the High Value and Low Value components of the Agribusiness Development Centre. These components could not have been fully effective without this resource.

B Issues and Recommendations

Many of the smaller grantees are relatively new, fragile, small associations or private firms which are not geared to the rigors of grant management and have relatively low organizational capacity for implementation. There are too many grantees that don't have sufficient capacity to implement a grant, their performance is low and the effort required to improve it would impose a heavy management burden. Mission management resources are shrinking and the capacity to manage this component is accordingly reduced. The relatively large number of grants and the number of grantees with low management capacity make the Grants Component management intensive. Another related issue is the disconnection between technical oversight and financial management. The ADC has technical oversight but no authority over disbursement of funds or ultimate accountability. This deprives the ADC of the leverage it needs to get performance.

It is currently foreseen that approximately 18 grants will need to be made over the rest of the life of the project. Estimated funding total for these is \$1,200,000.

The ADC has experience in operating a smaller pool of funds termed 'Specialized Activities' which are included under the institutional contract. The Project should assess the needs for small grant resources and shift funds to the TA contract for direct management of this resource. At the same time simpler mechanisms should be found for achieving the same ends. Purchase orders for fixed fee contracts could be explored as an alternative and, direct purchase of inputs and payment of labor directly by ADC might also be simpler than doing a grant in some cases.

The Project has two organizations that receive relatively larger grants and have reasonably strong grant management capacity. These are NARO and the APDF.

NARO The grants to NARO have been particularly useful in providing improved varieties to the Low Value Component and have provided some support to the High Value Component in vegetables, bananas and cocoa. ADC has provided sound technical and financial oversight to the NARO Maize and Bean Program Grants. Technical management has been done with a market led perspective of obtaining the varieties desired for the sectors as opposed to an institutional building approach which would place more emphasis on research program management. The time allotted to TA for research oversight is too little to permit this latter approach. Institution building is not the purpose of the research support offered by the IDEA Project. This being said, the level of funding for these programs is substantial and this level of involvement would ordinarily be accompanied by more TA for advising on overall research planning and management. IDEA is not a research support project and should not have the burden of funding total research programs or providing program oversight. By limiting itself to the research outputs that are strictly needed for achieving its outputs the Project could pay much less for the same result. NARO receives support from several donors and IARCs. If the Mission decides that it wants to provide support for NARO it should do it with an intervention that is especially designed for that purpose.

Now that the Project seems to have an adequate array of varieties of maize and beans it may be less dependent on NARO but the research programs will still need support and collaboration.

It is recommended that the grant to NARO be phased out and that future work with NARO be funded via research contracts under the TA contract for very specifically defined needs.

APDF The APDF grant has been very productive. In collaboration with ADC the grant has been used to fund sub-grants to provide key technical services to the ADC clients in business and production management and preparation of business plans for credit applications. The second phase of the Project will require similar types of technical services at a fairly high level. The current arrangement has proven satisfactory and should be maintained. It is recommended that the APDF grant be maintained under Mission management and that its funding level be increased to cover the needs projected to be \$400,000 for Phase II of the Project.

Host Country Counterpart Funds

Under the PROAG (SOAG), the Project also receives counterpart contributions from the GOU through the MTTI which goes directly into a separate account, Developing Export Agriculture. The amount agreed upon with the GOU was US\$ 1 billion over 5 years. These funds are used for a variety of purposes with concurrence from the ISC. Unfortunately, the amount and frequency of funding is unpredictable.

These funds were programmed for support of the following activities:

- The Market Information System (US\$ 160 Million),
- Market Contact Visits to overseas buyers and trade shows (US\$ 450 Million),
- International Training and Conferences (US\$ 352 Million),
- IDEA Steering Committee (US\$ 28 Million)

To date the Project has received US\$ 282,753,000 (about 28% of the agreed amount). Of the amount received there is a balance available of approximately US\$ 73 Million. The payment of the GOU has been on an irregular basis. Uncertainty about the availability and regularity of funds forced the Project to cancel the employment of the Market Information Manager position and cancel subscriptions to market information services. Travel to trade shows and conferences has been curtailed.

Given the financial difficulties that the GOU is experiencing it is unlikely that the full GOU contribution will be forthcoming but it is crucial for some areas which are administratively difficult to fund from the USAID portion of the grant. These are International Travel for Trade Shows and Conferences and travel and meeting costs of the ISC.

Costs for operating the Market Information System could be transferred to the USAID portion of the grant. If possible, within the limits authorized by the TA contract, it would be preferable if the Market Information Specialist position be funded under the TA contract because it would put the MIS specialist on equal footing with other local specialists, and the ADC would not be required to manage employees operating under different systems.

It is therefore recommended that costs of the MIS be transferred to the USAID funded portion of the Project and that every effort be made to sensitize the GOU to the potential losses in impact that may occur by limiting Uganda's presence in international trade events and reducing support to the ISC.

Annex 3 provides further background information on counterpart contributions.

X OBSERVATIONS AND CONCLUSIONS

Uganda lags far behind many countries in Africa in Agricultural Technology. During the seventies and eighties, while many countries were going through the green revolution and subsequently, structural adjustment, Uganda was plagued with problems of civil strife and political instability. With the return of political stability in the nineties, Uganda is focussing on development and is striving to move forward economically. But, it is restarting from a low level of capacity in both the private and the public sector. In agriculture, the models for success in the sixties and seventies were based on parastatal schemes. These are still the philosophical reference points for many Ugandans but the technical competence that made them successful has been lost over time and liberalization has rendered them invalid as a model for agricultural development.

The long period of political turbulence led not only to a loss of ability to plan agricultural programs but a loss of the ability to produce at the farm level. There has been a reversion to subsistence production. Cash crops have suffered from lack of sectoral organization and technical support. Staple crops are largely grown on a subsistence basis. Use of inputs is low, production is inefficient and the surplus that is generated for export or off farm consumption is primarily the result of abundant land and favorable rainfall. As a result, production varies widely from year to year.

Development of the high value non-traditional agricultural exports, requiring both capital and know how has suffered from the same problems. Much of the capital and managerial talent left the country in the eighties. It is only now that a strong private sector capacity in agriculture is beginning to take form.

The question was raised during the evaluation concerning the opportunity of investment in other areas as opposed to IDEA. This question goes beyond the scope of the evaluation and can't be answered thoroughly without knowing more about the potential of other areas of investment, be them in agriculture or elsewhere. But there are some general lessons that one can gain from the IDEA experience. Overall, it would seem that Uganda's comparative advantage still lies in its favorable climate and availability of land and water. Its relatively low level of institutional and human resource capacity probably precludes its emulating experiences in other third world countries where low salaries attract large investments in manufacturing and technical services. Agriculture should logically present the area of greatest opportunity for increasing exports and household income for some time to come. Relatively small investments in maize farming or participating in outgrower schemes can create viable small enterprises and employment at a significant rate.

Potential USAID investments in other sectors will be plagued by the same institutional weaknesses encountered by the IDEA project. There is a lack of planning, management and worker skills in both the public and private sector that seems to be common to all sectors. Investments in almost any sector will be confronted by these same obstacles. This is an area that is not easily remedied. Formal training can help but overall the only solution is for a

significant number of the workforce to benefit from working in successful and efficient enterprises and services where they can obtain experience and reference points for sound practices. This can only come with time and going through the slow process of creating more examples of success.

Uganda is typical of many countries that have embraced liberalization. It has gone through a first phase of liberalizing the economy by taking off controls and divesting itself of enterprises that compete with the private sector. It is now entering in to a more complex phase of defining the productive role that the state can play in providing regulatory services that enhance the functioning of the private economy.

The GOU has been supportive of the IDEA Project and the general government attitude toward innovative approaches to development is favorable. As evidenced by the Modernisation Strategy for Agriculture, the government is striving to develop new visions and strategies for economic growth. This process will take time before it results in strategies that can serve as frameworks to devise policies and regulatory practices. There is a high turn over in political leadership at the ministerial level and there are few senior technocrats who can oversee the planning and policy issues of the government. Middle level civil servants are still anchored in the precepts of a state run economy and are either resistant to change or are hesitant in approaching the private sector. Nevertheless, this process can be fostered by assisting the relevant ministries to learn from experiences in Uganda as well as other developing countries.

IDEA is unique in Uganda. It is probably the only Project that addresses on the ground the total spectrum of production and marketing functions necessary to increasing the competitiveness of Ugandan Agriculture. It is a proving ground for Uganda's Agricultural Modernisation Strategy. Many of the donors interviewed felt that IDEA is contributing much to the learning process involved in designing and implementing agricultural programs in Ugandan agriculture.

The Mission should take full advantage of IDEA's experience in developing its dialogue with the GOU and other donors. A more systematic review of the lessons learned by IDEA could serve as a starting point in refining the articulation of specific policy constraints that have broad implications for private sector development. The IDEA Project however, should not be overburdened by refining the policy issues and lessons learned from its implementation. This could be done most successfully by providing outside expertise that has the time to digest and articulate the lessons learned. Some of the areas that warrant more explicit and systematic documentation and sharing with other partners are:

- experiences with credit and financing,
- lessons learned in shipping, handling, cargo and cold chains,
- the role of Public services in supporting exports,
- policies favoring private input supply,
- approaches to development of private and public institutional capacity,

The IDEA Project's achievements, as well as expectations for the Project, should be judged with an understanding of the low level of institutional capacity with which the Project is confronted

The project is getting a good return on investment. The Project is currently spending approximately \$4 Million per year. It is making a major contribution to generating exports in the range of \$30- 40 Million per year. A large portion of this sum is value added to the Ugandan economy and is spread over a large number of beneficiaries. There are increasing amounts of secondary benefits and multiplier effects, which could be added to these primary benefits.

Reasonable planning projections of what the project can achieve in exports by the end of the next phase are in the range of \$80 Million. Straight line projections based on the rates of growth achieved in the first phase show that the project could achieve annual exports in excess of \$100 Million. However, this rate of growth is contingent on continued increased investment in the sector, continued access to credit and reasonably stable markets for the major commodities such as roses. Some payoff to vanilla and cocoa can be achieved by improved production practices of existing plantations and improved post harvest practices. But major increases in these commodities will not be achieved until additional area is planted and comes in to production. At least five years will be required before significant export increases can be achieved from expanded area of these two commodities.

Many of the Project's interventions are getting over the more labor intensive "start up" phase and expansion of these can happen more spontaneously now that successful models are in place and more experience has been gained by producers, traders, exporters and banks. This should allow for the project to get more return to its investment in TA. The lack of capacity of consulting firms, associations, and public services require that the Project invest considerable time in oversight of implementation and monitoring. The recommendation that the Project devote more effort to targeting and monitoring impact will increase TA workload in the ADC.

Some savings can be made in TA time by focussing at higher levels and on activities that have a high payoff, but TA will continue to be stretched thin and a high payoff can be achieved by providing for technical assistance resources to the project. It's not advisable to be over prescriptive in dictating what the project does. It needs some latitude to determine when and how it can make the shift to areas of greater opportunity. Partnering can help, but the Project needs to retain a leadership position in the activities with which it is associated to guarantee consistency and coherence in approach.

XI RECOMMENDATIONS

The LOP of the IDEA Project has automatically been extended to coincide with the Life of Strategy. The Current Strategy Agreement ends in 2001 and will need to be extended to cover the extended phase of the contract, which ends in June of 2004.

Major results can be achieved during the life of the SO1 strategy. However, creating a significant number of sectors that have the expertise to access technology, finance and markets on an evolving and sustainable basis is a long undertaking. The work undertaken by the Project requires a long term strategic framework. Ten additional years from the present would be a reasonable time frame to achieve maturity in most of the commodity sectors in which the project is currently engaged.

- It is recommended that the Mission review the life of the SO1 strategy to determine the length of time necessary to achieving major changes in economic sectors that will result in sustainable income increases for rural men and women. In the opinion of the evaluators, based on case histories from other countries, and the fledging state of development in Uganda, another decade is a realistic commitment for NTAE interventions.
- Every effort should be made to maintain project momentum and continuity. It is recommended that the IDEA Project be extended at least through 2004 and that adequate resources be provided to the ADC to fully seize the opportunities offered for achieving and monitoring impact on increasing Non-traditional Agricultural Exports.
- With the exception of the grant to APDF, the Mission should phase out the current USAID managed grants program. Resources from the Grants element should be used for the same purposes but should be managed to the extent feasible by the ADC. Also, to the extent possible, simpler mechanisms such as direct purchase of inputs and fixed fee contracts for services should be used in place of grants.
- Reorganize the Agribusiness Development Center around two components, the High Value and Low Value and transform the other components into support units.
- Conduct during the next year an analysis to better define populations and markets to be targeted by the Low Value Component.
- Redefine the Scope of Work for the ADC (including targets, indicators and outputs) based on the Results Framework proposed in this Evaluation and the findings of the evaluation.
- Adjust Monitoring and Evaluation system to track newly defined indicators and gather impact data.

- Keep open opportunities to conduct an analysis of additional commodities and technologies to target during the second phase
- Discontinue support to the NARO Maize and Bean Program and do research contracts for specifically identified research tasks
- The Mission and the ADC should develop a strategy that prioritizes use of credit resources and concentrates these resources on achieving the most important results irrespective of credit management mechanisms
- Suspend activities related to public institutional support that do not contribute directly to Project Results
- Devote more effort in the Low Value Sector to developing efficient, quality oriented production and marketing systems

IDEA PROJECT EXTENSION

SCHEDULE OF ACTIONS REQUIRED

No	ACTION	RESPONSIBILITY	1999												2000			
			J	F	M	A	M	J	J	A	S	O	N	D	J	F		
1	Evaluation	SO1, Eval Team																
2	Mission review	SO1, PPD, DIR, CO																
3	Revisions/clarifications	SO1, Eval Team																
4	Action memo	SO1																
5	Mission decision	DIR																
6	CO Advises Chemonics on intent to exercise option, incl requirements	CO																
7	Chemonics submits response	CII																
8	Chemonics prepares & submits proposal	CII																
9	Mission review	SO1, PPD, DIR, CO																
10	Mission negotiates counterpart contribution with GOU/MTTI	SO1, PPD, DIR, CO																
11	Mission prepares SOAG, signed by GOU	SO1, PPD, DIR, CO																
12	Mission prepares MAARD to extend project, add additional funds	SO1, PPD, DIR, CO																
13	CO negotiates contract	CO, CII																
14	Contract signature	CO, CII																
15	Obligation of funds	CO, DIR																
16	Effective date of extension	CO, SO1, CII																
17	Commence implementation	SO1, CII																

XII ILLUSTRATIVE RESULTS FRAMEWORK FOR THE IDEA PROJECT

A USAIDs SO1 and Country Strategic Plan

A proposed results framework for the second phase of the IDEA Project is shown below. The proposed framework takes into consideration the USAIDs Country Strategic Plan for Uganda (FY 1997-2001). The IDEA Project falls under two of the three main SO1 components, namely increase in non-traditional agricultural exports and increased productivity of selected food products.

The key indicators to measure in this regard are volume and value and yields and outputs of selected NTAE products which are covered by the following intermediate results:

- (IR 1.2) Increased non-traditional agricultural exports
- (IR 1.3) Increased production of food products
- (IR 1.7) Increased adoption of improved production and post harvest technologies
- (IR 1.8) Increased access to markets

Under the Country Strategic Plan, USAID recognizes that increased non-traditional agricultural exports will be achieved by concentrating on yield improvements through improved technologies and seed varieties, diversification through identification of new crops, and strengthened processing and marketing systems to allow greater access to regional and international markets.

B IDEA Project Results Framework

The key strategies in achieving increased rural incomes and production, marketing and exports of selected NTAEs will revolve around increased production efficiency, input supply and utilization, access to markets, increased marketing efficiency, agricultural processing and provision of support services to exporters.

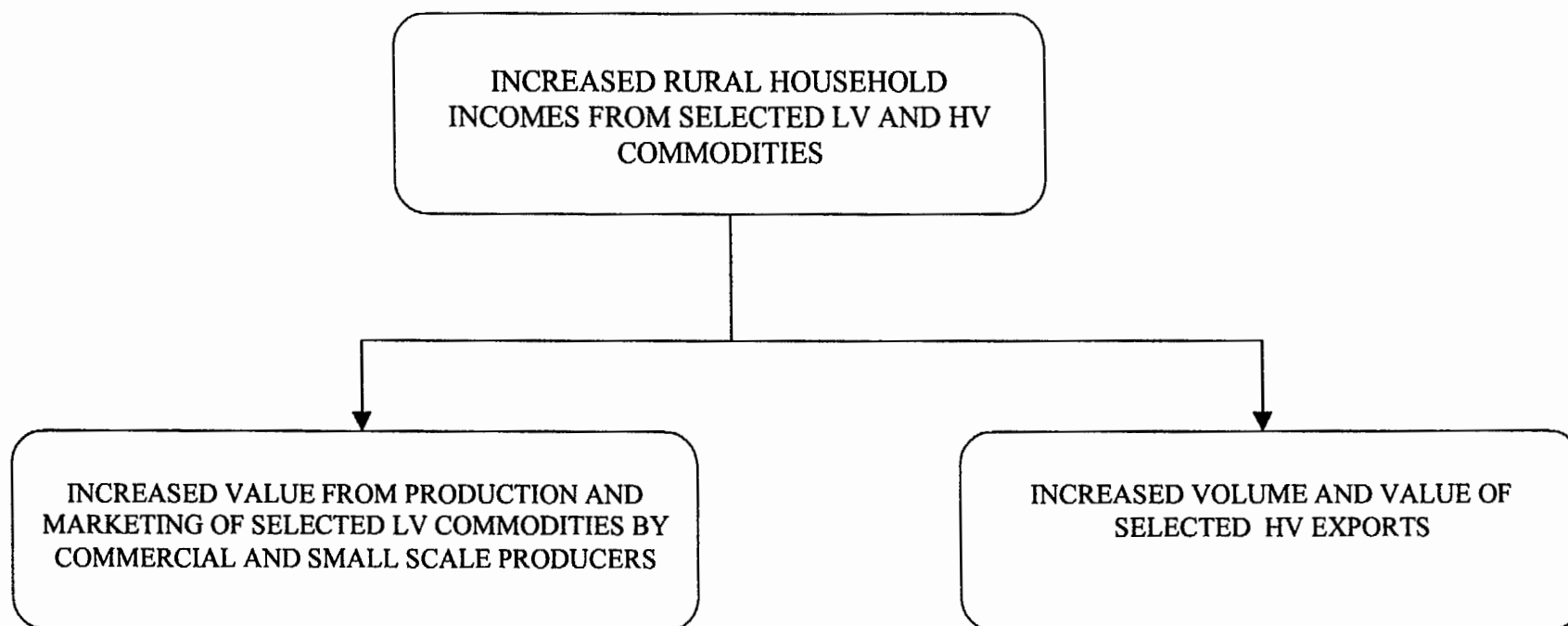
As seen from the project results framework below, these strategies will be accomplished through direct involvement of the Low and High Value TAs. In addition, TAs from the Business and Finance, Research and Training and M&E units will provide support in the areas of training, dissemination of research findings, business planning and access to finance and management for results to ensure that project goal and objectives are being met.

With respect to the Results Framework for the Low Value Component, there are three concerns which should be addressed. The first is to define the indicators that can be extrapolated to provide more accurate information on impact on income. The second is to choose indicators and targets which will direct the shifts in emphasis toward quality production. The third is to define indicators that capture results as opposed to process.

IDEAs goal dictates a strategy based on increasing NTAEs as the optimal way to increasing rural incomes. This focus is appropriate for the High Value Component because there is a relatively direct relationship between increased HV exports and increased income. For the low value component, imposing an export focus is not as appropriate. Contributions to increased income for rural men and women can be increased and measured internally within the Ugandan economy.

It is recommended that the Project Purpose Statement for the Low Value Sector be modified to reflect the importance of producing for internal markets as a means to increasing household incomes (e.g. *increased rural incomes from trade of commodities in the low value sector*). This modification does not fundamentally change what the project will do. It simply helps rationalize and improve the logical framework under which the LV component interventions are implemented and judged.

RESULTS FRAMEWORK FOR IDEA PROJECT



RESULTS FRAMEWORK FOR LOW VALUE COMPONENT

INCREASED RURAL HOUSEHOLD INCOMES
FROM SELECTED LV COMMODITIES

INCREASED VALUE FROM PRODUCTION
AND MARKETING OF SELECTED LV
COMMODITIES BY COMMERCIAL AND
SMALL SCALE PRODUCERS

INCREASED USE OF EFFICIENT PRODUCTION TECHNOLOGIES

- Use of improved crop husbandry
- Use of improved seed and fertilizers
- No of small scale adopter
- No of emerging commercial farms
- No of farms accessing production credit
- Increase in output and yields
- Reduction in unit costs

INCREASED SUSTAINABILITY OF INPUT SUPPLY

- Increased number of suppliers, distributors and stockists
- Increased number of farmers
- Increased demand for inputs

INCREASED MARKET EFFICIENCY

- Reduced transportation costs
- Price premium
- Increased volumes marketed
- Increased incomes

Generation of Efficient Production Technologies

No of research contracts

No of varietal & agronomic trials

No of technology packages developed

No of new products

Promotion of Efficient Production & Post Harvest Technologies

No of technologies from external sources

No of post harvest handling systems in place

No of field demonstrations

Functioning Input Supply System

No of suppliers distributors and stockists

Sales volume and value of seed fertilizers & other inputs

No of firms practicing safe use measures

No of firms accessing credit

Seed Multiplied & Distributed

No of private sector participants

Volume and value of seed multiplied and distributed

Market Information System in Operation

MKIS reports disseminated

Crop forecast data disseminated

No of market analysis

Rural Agricultural Marketing Systems (RAMS)

No of private sector participants

No of rural buying centres

No of producers selling through RAMS

Price premium received

Volume & value of commodities marketed

Outgrower Initiative

No of outgrower schemes

No of producers

Volume & value of commodities produced

No of producers & schemes accessing credit

Increased Exports

No of exporters

Volume & value of commodities exported (both formal & informal)

No of firms accessing exporter finance

Agricultural Processing Promoted

No of firms

Quantity processed

Value of processed products/value added

RESULTS FRAMEWORK FOR HIGH VALUE COMPONENT

INCREASED RURAL HOUSEHOLD INCOMES
FROM SELECTED HV COMMODITIES

INCREASED VOLUME AND VALUE OF
SELECTED HV EXPORTS

INCREASED CAPACITY OF FIRMS TO RESPOND TO GLOBAL MARKET
REQUIREMENTS

- Increase in number of products and markets
- Increased efficiency and competitiveness
- Increased output of selected HV commodities
- Increased export volumes and values

INCREASED CAPACITY OF SECTOR TO PROVIDE
EFFICIENT SUPPORT SERVICES TO EXPORTERS

- Reduced handling and shipping costs
- Increase in use of facilities
- Increase in volume of operation

**Efficient Production
Technologies
Promoted**

No of Field demos
No of Varieties
No of Tech
packages
Sales value of inputs
No of Adopters

**Increase in Market
Opportunities**

MKIS reports
disseminated
No of new products
and markets
No of exporters
utilising info
No of exporters
accessing finance

**Quality
Improved**

No of post harvest
handling systems in
place
Price premium
received
Market share
No of firms adopting
code of conduct/safe
use measures

**Increased Volumes
of Production**

No of producers
Volume & value of
commodities
No of outgrower
schemes
No of producers
accessing production
credit

**Agricultural
Processing
Promoted**

No of firms
Quantity
processed
Value of
processed
products/value
added

**Improved Airport
Handling System**

No of private sector
participants
No of handling
facilities
No of exporters
using facilities

**Consolidation of
Freight**

Capacity
Frequency
Destinations

**Export
Regulations
Favour Increased
Exports**

No of policy/
regulatory
interventions

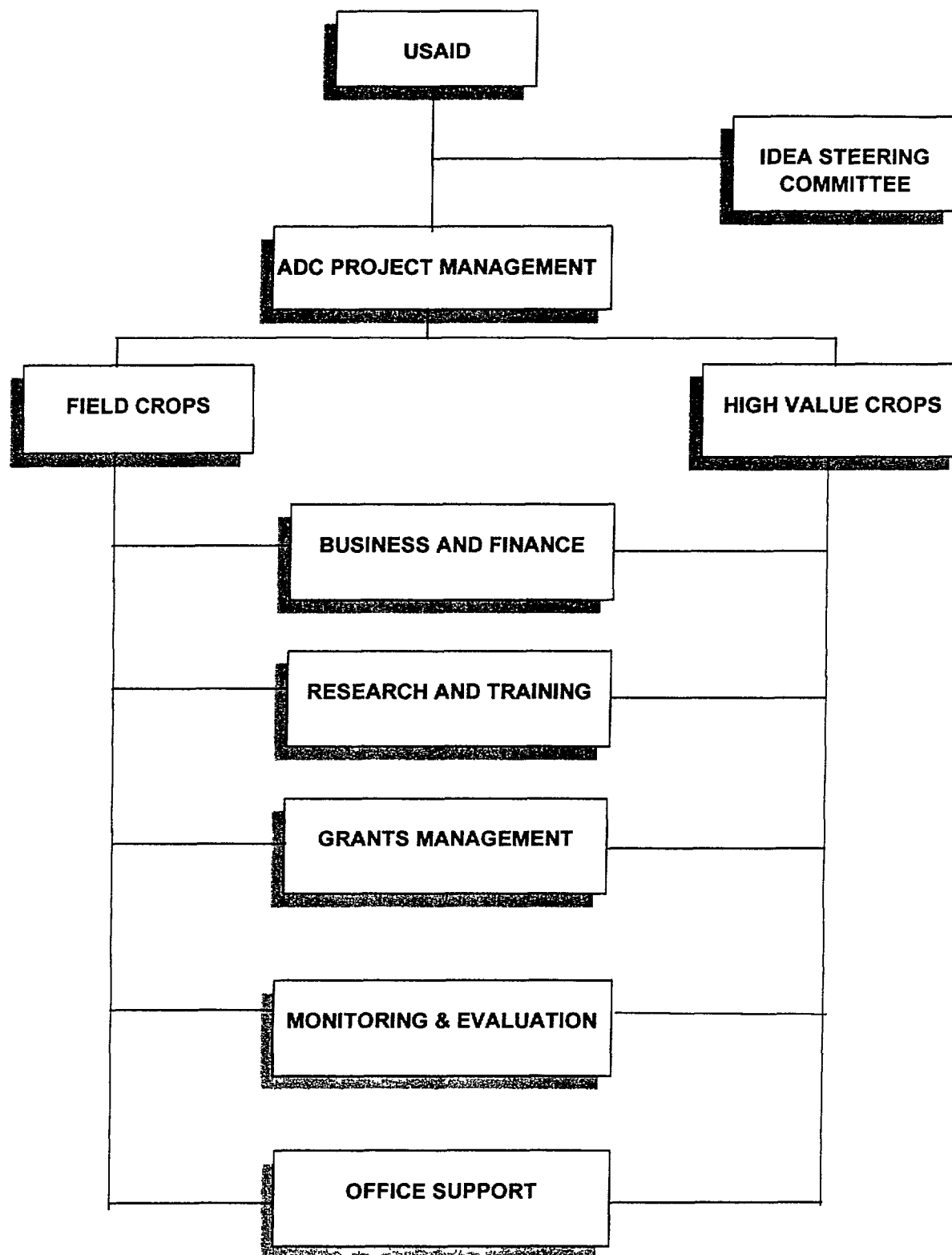
Research Activities

No of Research
contracts
No of New products
No of Varietal and
agronomic trials
No of Tech
packages

Promotion of Products

No of trade shows
attended
No of importers buying
Ugandan produce
No of products
No of producers &
exporters

AGRIBUSINESS DEVELOPMENT CENTRE PROPOSED ORGANIZATIONAL CHART



USAID DIRECT ASSISTANCE TO IDEA CLIENTS
Annex 2
Grants to The High Value Crops Component

GRANTEE	COMMODITY	AWARDED	DISBURSED	STATUS	DISBURSEMENT
UVAN Ltd	Oil Crops	\$40 000	\$7 042	Ended 02/28/99	Reimbursement
MAIRYE Estates	French Beans	\$30 000	\$27 150	Ended- 05/31/98	Reimbursement
MAIRYE Estates	Flowers	\$18 000	\$6 965	Ended 05/31/98	Reimbursement
Kasirye Agro-Mixed Farmers	Vanilla	\$28 800	\$20 050	Ended 06/30/98	Reimbursement
Ziwa Horticultural Exporters Ltd	Flowers	\$40 000	\$40 000	Ended- 05/31/98	Reimbursement
UAWMPE	Mushrooms	\$40 700	\$37 690	Ended- 01/01/99	Advance
Nsimbe Estates	Flowers	\$40 000	\$33 316	Ended- 06/30/98	Reimbursement
National Agricultural Research Institute	Fruits & Vegetables	\$100 000	\$79 626	Ended 09/30/97	Advance
Horticultural Exporters Association	Fruits & Vegetables	\$72 000	\$55 500	Ending 10/26/99	Advance
Fruit Park Ltd	Fruits & Vegetables	\$54 000	\$40 854	Ending 04/30/99	Reimbursement
Uganda National Vanilla Association	Vanilla	\$56 000	\$-	TBD	Advance
NUSPA Shea Butter	Shea Butter & Oil	\$25 000	\$0		Cancelled before disbursement
Total		\$544,500	\$348,193		

Grants To The Low Value Crop Component

GRANTEE	COMMODITY	AWARDED	DISBURSED	STATUS	DISBURSEMENT
National Agric Research Organization (1996)	Maize & Beans	\$162 000	\$159 227	Ended 12/31/96	Advance
National Agric Research Organization (1997)	Maize & Beans	\$304 000	\$240 718	Ended-12/31/97	Advance
National Agric Research Organization (1998)	Maize & Beans	\$286 176	\$169 516	Ended 03/31/99	Advance
National Agric Research Organization (1999)	Maize & Beans	\$199 240	\$29 109	Ending 03/31/00	Advance
Makerere University (FAF)	Simsim	\$22 000	\$7 541	Ended 02/28/99	Advance
Uganda National Farmers Association	Maize	\$11 200	\$11 200	Ended 12/31/98	Advance
Multipurpose Training and Employ Association	Maize & Beans	\$100 000	\$100 000	Ending- 06/30/99	Advance
Seed Multiplication Program	Maize & Beans	\$275 000	\$88 542	Continuous	Purchase Order
Total		\$1,359,200	\$805,853		

Grand Total
\$1,903,700 \$1,215,979
***International Finance Corporation (APDF)**
***Sub- Grants From the \$350 000 Grant**

SUB-GRANTEE	COMMODITY	AWARDED	DISBURSED	STATUS	DISBURSEMENT
Hortexa	Fruits & Vegetables	\$35 000			
Mellisa Flowers Ltd	Flowers	\$35 000			
MK Flora Ltd	Flowers	\$35 000			
Uga Rose Ltd	Flowers	\$35 000			
Equator Flowers	Flowers	\$30 000			
Commodity Exports International	Seed Production	\$35 000		Pending	
Hortexa	Fruits & Vegetables	\$46 000			
Others Pending		\$70 000		Pending	

Total
\$321,000 \$61 933
Total Grants
\$2,224,700 \$1,277,912

ADC SPECIALIZED ACTIVITIES - COST SHARING AGREEMENTS PROJECTED THROUGH 2/24/2000

Grantee	Total Cost	Client Share	ADC Share	Total Budget	Uncommitted Balance
Seed Multiplication & Distribution Low Value					
Mweru Genral K131	20 700	10 700	10 000		
Govinda/Kinnya White Haricot	44 000	22 000	22 000		
Buwome Sehe Foster Soyabean	6 534	2 709	3 825		
SAFA Maize Bean Extension	12 495	9 495	3 000		
Miscellaneous			38 000		
Total Seed Multiplication & Distribution			76 825	76 490	(335)
HV Research					
KARI NTAE Plots	13 000	10 000	3 000		
HORTEXA Passion Fruit	15 960	6 500	9 460		
RECO Industries Papain	14 320	5 740	8 580		
J&H Floriculture Summer Flowers	35 280	25 280	10 000		
Nile Roses Bouvardia	48 744	38 744	10 000		
KARI Banana Programme			33 500		
COREC Cocoa Programme			44 000		
KARI Vegetable Plots			1 500		
Miscellaneous			12 000		
Total HV Research			132 040	85 707	(46 333)
LV Market Information					
MNS			10 700		
Miscellaneous			106 000		
Total LV Market Information			116 700	189 508	72 808
HV Market Information					
Miscellaneous			125 000		
Total HV Market Information			125 000	133 389	8 389
Business Development Support					
Kingo Women Passion Fruit			8 000		
Consultant Access Fund			32 000		
IPS French Beans			3 740		
House of Spices	76 000	44 000	32 000		
Miscellaneous			198 000		
Total Business Development Support			273 740	290 686	16 946
Support to Private Sector Associations					
Uganda Flowers Association Show			3 060		
Uganda Flowers Exporters Association			16 000		
HORTEXA			11 000		
UNVA Radio Programme			6 000		
Miscellaneous			24 500		
Total Support to Private Sector Associations			60 560	37 472	(23 088)
SPECIALIZED ACTIVITIES TOTALS			784,865	813,252	28,387

IDEA PROJECT

Annex 2 cont'd

PROPOSED GRANTS ACTIVITY FOR PHASE II

GRANTEE/ACTIVITY	2000	2001	2002	2003	2004	TOTALS
NARO MAIZE	50 000	40,000	30,000	20,000	5,000	145,000
NARO BEANS	40 000	30 000	20,000	10 000	2 000	102,000
NARO HV HORT	10,000	10,000	10,000	10,000	3,000	43 000
NARO BANANA	5,000	5,000	5 000	5 000	2,000	22,000
NARO COCOA	10 000	10 000	5 000	5,000	2 000	32,000
UFEA FLOWER VARIETIES	50 000	20 000	20,000	10,000	5,000	105,000
UFEA GREENHOUSES	40 000	10 000	10,000	10 000	5 000	75 000
HORTEXA PHH	20,000	20,000	10,000	10,000		60 000
HORTEXA PRODUCTION	20 000	20,000	10,000	10,000		60 000
UNVA VANILLA		5 000	10,000	5,000		20,000
ENTEBBE AIRPORT	20,000	20 000	10 000	5,000		55,000
LV SEED INDUSTRY	50,000	50,000	40,000	10,000		150,000
LV COMMERCIAL FARMS	50 000	50,000	20 000	10,000		130,000
LV NEW CROPS	20,000	10,000	10,000	1,000		41 000
TO BE IDENTIFIED	50 000	50 000	40,000	10,000	10,000	160,000
TOTAL	435 000	350 000	250 000	131 000	34,000	1 200,000



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID / KAMPALA
Agency for International Development
Washington D C 20521 2190

UGANDA ADDRESS
USAID Mission to Uganda
PO Box 7007 Kampala Uganda

05 MAY 1998

Mr Emmanuel Tumusime Mutebile
Permanent Secretary/Secretary to the Treasury
Ministry of Finance
Kampala

Dear Mr Tumusime Mutebile

RE COUNTERPART FUNDS FOR THE INVESTMENT IN DEVELOPING EXPORT AGRICULTURE (IDEA) PROJECT

Reference is made to 1) a letter from USAID to the Ministry of Trade and Industry dated November 21, 1997 (attached) and 2) a letter from Ministry of Trade and Industry to Ministry of Finance dated December 16, 1997 (attached), in which the issue of erratic and declining host country local currency contribution from the Government of Uganda (GOU) in support of the USAID Investment in Developing Export Agriculture (IDEA) project has been brought to your attention. The USAID Mission is concerned that there has been no response from the Ministry of Finance and as a consequence, the activities of the IDEA project continue to be compromised by lack of local currency funds.

As you are aware, the Investment in Developing Export Agriculture (IDEA) project is being jointly implemented by an agreement between USAID and the Ministry of Trade and Industry. Under the project Grant Agreement signed by the Government of Uganda (Ministry of Finance) and the United States Agency for International Development (USAID) on September 28, 1993, the IDEA project was to receive host country contribution in the equivalent amount of \$1,000,000 or US\$ 1 billion over 4 years. These contributions have been erratic and considerably short of the amount specified in the agreement. For the two fiscal years 1995/96 and 1996/97, the total GOU contribution has been US\$ 151,427,000 or about 30% of the 1st and 2nd year target. Moreover, all GOU counterpart funds received were exhausted as of December 1, 1997 and no funds have been received for GOU fiscal year 1997/98. As a consequence, certain critical activities have been jeopardized.

This letter is to re-emphasize to you that it is imperative for the GOU to meet its obligations as set out in the agreement. Without GOU contributions IDEA will have to be re-evaluated and activities run the risk of being severely curtailed or

eliminated altogether. Obviously, we sincerely hope that we will be able to continue all activities and achieve the goals which we have worked together to identify. It is with this in mind that I am requesting that we meet at your earliest convenience to discuss how we might mutually resolve this issue.

Sincerely,




Donald B. Clark
Mission Director

cc Mr. Ralph Ocan
Permanent Secretary
Ministry of Trade and Industry

MEMORANDUM

Agribusiness Development Centre (ADC)

Uganda's Investment in Developing Export Agriculture (IDEA) Project

Date October 7, 1997 FO-79
To Ron Stryker COTR
From Clive Drew, COP 
Thru Gaudensia Kenyangi, A/PMS
Subject IDEA Counterpart Funding Negative Impacts

Under the PROAG, dated September 28, 1993, IDEA was to receive host country contribution in the equivalent amount of \$1,000,000 over the initial 5 year life of the project, amounting to 4% of USAID's contribution (other goods and services excluded) Our host ministry is Trade & Industry

The first year of the project commenced in February 1995, (after protest of the initial contract award in September 1994 was resolved) but funding had not been appropriated for the GOU 1994/95 FY Therefore, it was agreed between USAID and GOU that IDEA would receive the equivalent of \$250,000 per year over 4 years, commencing in the 1995/96 FY

Contributions have been erratic, of various amounts and considerably short of the agreed amount For the two fiscal years 1995/96 and 1996/97, the total GOU contribution has been US\$ 151,427,000 or about 30% of target Our last remittance was in May 1997

We have various commitments/obligations for the current year and these expenditures are in excess of any funding within the institutional contract

What are some of the impacts of not having this funding

Market Information System The ADC clients have always expressed the need for accurate and timely market information We responded to this need and established a market information office in the ADC that operates with counterpart funding It has a Market Information Manager, computer with internet hookup and subscription to a number of trade information sources We produce weekly High Value market reports and Low Value reports twice a month which are widely circulated to ADC clients who find them very useful The centre also performs custom market surveys There is close collaboration with the MTI Market News Service, FEWS and UEPB Market information is a valuable service performed by the ADC

Market Contact Visits A large number of international market contact visits and trade fairs are funded with local currency This provides the opportunity for Ugandan producers and exporters to make direct contact with overseas buyers, to display their commodities and to witness quality standards, packaging, phytosanitary standards, shipping and receiving logistics, product condition on arrival, and what the competition is offering This one-on-

one exporter buyer contact is very important as a confidence builder. Most of these visits are to Europe, although some have also been made to the PTA region and the Middle East. Commodity groups include fresh produce, flowers and spices. We recently sponsored a joint stand with the Coffee Development Authority at the Royal Show and an exhibition at IFTEX flower show in London (where several of the Ugandan exporters attended at their own expense).

International Training/Conferences Again, the aim is to link Ugandan producers and exporters with international entities, since we are dealing with exports in a competitive world. Local currency has funded events such as training on essential oils and vanilla in China, the International Consultation on Tropical Fruit (where Uganda was appointed the Africa region Chairperson), farmer visits to Kenya, etc. We have several major training event commitments. This includes sponsoring 25 rose managers and interested parties to Zimbabwe in early November and to the Dutch auctions in early December. There are also about 4 other conferences that qualified NTAE clients are normally sponsored each year.

IDEA Steering Committee The IDEA Steering Committee (ISC) is the overall body providing guidance to the project. It comprises 16 private sector and public sector stakeholders and is instrumental in steering the project on such matters as geographic and commodity focus, it provides input to our annual work plans and approves them, it approves USAID grants under IDEA, it approves the counterpart funding expenditure requests, and members provide input during project evaluations. The ISC has been actively involved over the life of the project and without funding to facilitate it and allow field visits to project sites/ beneficiaries the ISC would disintegrate.

Although counterpart funding to the project is less than agreed, and erratic in frequency and amount, it is a valuable complement to funding provided to IDEA from USAID. The funds can also be utilized in an expeditious manner, since they are held in a local bank account, once received, and ISC approval is the only requirement. Without funding, all of the above activities would have to be canceled. Without market information, market contact visits, international exposure and an active steering committee the project would falter. There would be a deterioration in stakeholder interest since ADC services would be curtailed, sense of ownership would be lost and we would become just another donor project, with limited direct assistance to NTAE development. The overall loss of morale would precipitate this decline.

MEMORANDUM

Agribusiness Development Centre (ADC)

Uganda's Investment in Developing Export Agriculture (IDEA) Project

Date November 24 1998 FO-157
To Ron Stryker COTR
From Clive Drew COP
Thru Gaudensia Kenyangi A/PMS
Subject IDEA Counterpart Funding

I refer to former Memo FO-77 attached hereto which gives a brief account of counterpart funding under the IDEA project

The PROAG stated there would be the equivalent of \$1,000,000 provided by GOU over 4 GOU fiscal years 1995/96, 1996/97, 1997/98 and 1998/99 During the first 2 fiscal years we received USh 151,427,000 then nothing during 1997/98 except for some bridge funding of USh 29,120,000 from USAID after our appeal to keep some critical programs running

In the budget submissions to GOU for FY 1998/99, 1999/00 we requested amounts of USh 405,000 000 and USh 365,000,000 respectively This is shown in the attached budget submission Due to the efforts of USAID in discussing the matter with the Ministries of Finance and Tourism, Trade & Industry we have received some funding in 1998/99 To date, the amount is USh 66,666,666 but we have no assurance of when the next release will be made or the amount (although I heard on the grapevine that it will be about USh 15,000,000 and will be released by Christmas)

The difficulty we have is not knowing the amount or timing of releases from GOU, which makes it almost impossible to do any forward planning The track record shows amounts are much less than requested or what is shown in the GOU budget Prior to the recent releases we had to terminate our market news officer and publication of our regular news bulletins We had even suspended our IDEA Steering Committee (stakeholder) meetings

If we had a mechanism whereby there was a reasonable guarantee that funds would be available, our programs would be more active, and it would supplement what is available in the Chemonics institutional contract, and the USAID direct grants in support of NTAE development GOU cannot make any budget guarantees, so what would be ideal is a mechanism that would underwrite the budget by making up any GOU shortfall

Over the next 3 years our budget submissions shall remain at \$250,000 per year (or their equivalent in USh at the prevailing exchange rate Our assumption is that GOU will make good on about \$100,000 per year, leaving a shortfall of \$150,000 Anything that USAID can do to accommodate this shortfall would be appreciated and would allow us to fully execute our annual work plans

Ministry of Finance
PIP/Development Budget Estimates Form

Budget Head TRADE AND INDUSTRY

Project Code AG51 (A) - 109/CRPS/93

Project Name DEVELOPING EXPORT AGRICULTURE

Districts

Project Manager
Address

Old ProjCode -

	1997/98 Budget			1998/99 Planned			1998/99 Submission		1999/00 Submission	
	Donor US\$ (m)	Local Shs (bn)	Total Shs (bn)	Donor US\$ (m)	Local Shs (bn)	Total Shs (bn)	Donor US\$ (m)	Local Shs (bn)	Donor US\$ (m)	Local Shs (bn)
Expenditure										
100 - Fixed Assets										
CONSTRUCTION AND BUILDINGS										
MACHINERY & EQUIPMENT	0 060		0 063	0 060		0 069	0 060		0 040	
ROADS										
TRANSPORT VEHICLES										
TRUCKS										
CARS/PICKUPS									0 080	
OTHER FIXED ASSETS										
200 Payments to Personnel										
211 LONG TERM EXPERTS	1 400		1 470	1 200		1 380	1 200		1 000	
221 CONSULTANTS	0 620		0 651	0 570		0 655	0 570		0 200	
231 LOCAL SALARIES & WAGES	0 180		0 189	0 230	0 060	0 325	0 230	0 060	0 300	0 060
241 INCENTIVES & ALLOWANCES	0 720		0 756	0 925	0 048	1 112	0 925	0 048	0 910	0 048
300 - Non Wage Goods and Services			0 000			0 000				
311 TRAINING	1 000		1 050	1 410	0 150	1 771	1 410	0 150	0 800	0 100
321 VEHICLE O & M	0 060		0 063	0 085	0 025	0 123	0 085	0 025	0 090	0 025
331 CONSUMABLES	0 010		0 011	0 025	0 012	0 041	0 025	0 012	0 030	0 012
341 UTILITIES	0 050		0 053	0 095	0 008	0 117	0 095	0 008	0 095	0 008
391 OTHER GOODS & SERVICES	0 750		0 788	0 900	0 052	1 087	0 900	0 052	0 935	0 052
400 - Taxation			0 000			0 000				
411 TAXATION		0 016	0 016		0 050	0 050		0 050		0 060
TOTAL EXPENDITURE	4 850	0 016	5 108	5 500	0 405	6 730	5 500	0 405	4 480	0 365
Funds Secured	4 850	0 016								
Funding Gap										

FOREX RATE

1050

1150

PRINT DATE

09-Feb-98

GOU CONTRIBUTION TO IDEA PROJECT TO DATE

Date Rec'd	1995	1996	1997	1998	1999	
Oct 16 95	18 750 000					
	28 125 000					
Dec 05 95	9 375 000					
Jul 09 96		10 547 000				
Oct 01 96		5 308 000				
Nov 08 96		8 860 000				
Jan 06 97			7 077 000			
Feb 10 97			17 141,000			
Mar 26 97			9 346,000			
May 19 97			6 854 000			
Jun 05 97			8 225,000			
Jun 05 97			11 127 000			
Jul 04 97			10 692 000			
Oct 01 98				33 333,000		
Nov 02, 98				33 333 000		
Jan 06 99					16 667 000	
Mar 23, 99					32 993 000	
May 03 99					15 000 000	
	56 250 000	24 715 000	70 462 000	66 666 000	64 660 000	282,753,000

Balance on account (Un Recon)

73 554 632

MEMORANDUM

Agribusiness Development Centre (ADC)

Uganda's Investment in Developing Export Agriculture (IDEA) Project

TO Mr Ron Stryker, SO1 Team Leader NO 108
FR Clive Drew, Chief of Party *Clive Drew*
THRU Diana Atungire A/PMS
DATE
SUBJ IDEA Counterpart Funding

We hereby request approval for bridge funding. Our counterpart funding has been exhausted with no immediate relief in site. Whereas action is being taken with Ministries of Trade & Industry and Finance to address the problem, realistically we cannot expect an immediate resolution or flow of funds. You were certainly able to share the sentiment of the IDEA Steering Committee at the meeting yesterday, and also the important guiding role the ISC plays, something we would not want to see disintegrate due to lack of funding.

Some areas are of critical importance/time sensitive so the following budget represents what IDEA and its Steering Committee consider to be priority funding activities over the next 6 months. These items are normally covered with counterpart funds.

Bridge funding requirements are shown in the attached budget. This is considered an absolute bare bones budget, nothing more than a maintenance program.

If you can source funding, then payments can be made directly to the Investment in Developing Export Agriculture account (which is the separate counterpart funding account for IDEA) on a monthly basis, or other arrangements that are most convenient.

Obviously we would appreciate any assistance you can identify, given the critical nature of items such as meeting payroll obligations for the Market Information Manager. And we do cross our fingers that GOU can meet its obligations.

IDEA LOCAL (GOU COUNTERPART) CURRENCY BUDGET

Market Information Manager position 6 months @ USh 1 520,000 per month (December 1997 - May 1998, inclusive)	USh 9,120,000
Field support activities for Peace Corps Volunteers assisting IDEA @ USh 1,000,000 per PCV (5 no)	USh 5,000,000
Maintenance support for IDEA supplied equipment to Makerere University @ USh 500,000 per month (6 mo)	USh 3,000,000
High priority Trade Fairs & International Conferences @ USh 3,000,000 each (2 no)	USh 6,000,000
High priority Market Contact visits @ USh 3,000,000 each (2 no)	<u>USh 6,000,000</u>
TOTAL	USh 29,120,000

IDEA STEERING COMMITTEE (ISC) MEMBERSHIP ROSTER

ORGANISATION	SUBSTANTIVE MEMBER	ALTERNATE
Ministry of Tourism, Trade & Industry	Nimrod Waniala Sr Advisor	Mr J O Amai
United States Agency for International Development (USAID)	Ron Stryker SO1 Team	Gaudensia Kenyangi
Horticultural Exporters Association (HORTEXA)	Sam Kibalama-Katumba Chairman	David Lule Executive Committee
Uganda Grain Exporters Association (UGEA)	Mr Sharma Lira Millers	
Uganda National Farmers' Association (UNFA)	Hon Chebet Maikut	Augustine Mwendya Chief Executive Sec
Uganda Floricultural Association (UFA)	Harriet G Ssalu Chairperson	
Uganda National Vanilla Association (UNVA)	Aga Sekalala Chairman	Mrs Ida Batwala
Uganda Flowers Exporters Association (UFEA)	Vincent Ssenyonjo Chairman	
Uganda Export Promotion Board (UEPB)	Robert Rutaagi Executive Director	Mr Silver Ojakol
Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)	Daniel Nsubuga-Kikoyo	
National Agricultural Research Organisation (NARO)	Prof Joseph Mukibi Director General	Dr C Tizikara
Makerere University Faculty of Agriculture & Forestry	Dr E N Sabiti Assoc Prof and Dean	Dr M W Okot
Uganda Investment Authority (UIA)	Kyoratungye Karamente A Agribusiness Investments	Ms Grace Kyokunda
Min of Finance, Planning & Economic Development	Mrs Florence Kuteesa Ag Asst Commissioner	Grace Murengezi Economist
The United States Peace Corps	Ms Portia Williams Assoc Director	
Volunteers in Overseas Cooperative Development (VOCA)	Daudi Kalisa Country Director, Uganda	Amos Mwesigye
IDEA Project	Clive Drew, Chief of Party	Mark Wood

Uganda IDEA Project External Evaluation Scope of Work

I Background

The Uganda Investment in Development Export Agriculture (IDEA) project is an initial five-year USAID-funded program effort implemented through an institutional contract with Chemonics International Inc. The contract is a level-of-effort, estimated cost plus fixed fee contract. In addition to the contract, the IDEA project provides funding for grants issued by the USAID SO1 office, which have technical oversight by the institutional contract. The project's current dates are February 1995 - February 2000. The institutional contract has a pre-competed option to extend services for an additional 4.33 years. According to the contract, USAID may decide to extend the PACD to June 23, 2004 or some intermediate date by amending the project. IDEA's project purpose is to increase production and marketing of selected Ugandan nontraditional agricultural exports (NTAEs). The overall goal is to increase incomes from selected nontraditional agricultural exports. Increasing and diversifying Ugandan NTAEs will contribute to increased national foreign exchange earnings and increased incomes for male and female producers, exporters, and others involved in NTAE transportation, processing, and packaging. The IDEA project is a key component of USAID's SO1 office contributing to the strategic objective of "increasing rural household incomes".

Section C.7 of the IDEA contract states that USAID and the Contractor will undertake a detailed review and evaluation of the 5-year contract's scope of work, budget, etc. This is to be done at month 30 and between month 57 and 60. The first evaluation was conducted by USAID in March of 1997 or month 25. While this current evaluation is slightly ahead of schedule (the project is currently in month 46, i.e. December 1998), it is important to conduct the evaluation now in order for USAID to adequately plan through the period of the Strategic Objective of 2001 or possibly longer. Therefore, this evaluation will provide the basis for examining impact to date, and for estimating the kind of effort as well as the level of effort needed in the future consistent with the Strategic Objective of SO1. The evaluation includes both the institutional contract and non-contract grant activities. In addition to planning for the needs and/or adjustments that may be needed within the overall context of the IDEA project, the timing is also particularly important so that an informed decision can be made by the SO1 office regarding the institutional contract option well in advance of the expiration of the current 5 year contract, allowing a smooth transition to occur.

Due to the changing economic context in which the project now operates, it is important to examine the overall project purpose, its structure and commodity and geographic focus. Due to periodic poor weather and civil disturbances, food security remains as a major issue in certain parts of Uganda. Uganda's five year agriculture modernization plan (a work in progress) calls for continued emphasis in modernizing the agriculture sector and focusing on increased commercially oriented production for regional and international nontraditional exports. The draft modernization implementation plan document recently presented to the Consultative Group recognizes the USAID/IDEA as an important element contributing to the plan. In this context, as well as from USAID's perspective, it is important that issues of food security and agricultural diversification, export focus, equity issues, and employment generation are addressed.

Based on the previous evaluation, progress reports and other monitoring of the IDEA project, USAID/Kampala has evidence that the project is making a significant impact, especially at the purpose level and has largely met or exceeded its objectives. The project's semi-annual reports chronicle the improvements and results in NTAEs and the Mission regularly uses this information in its annual reporting requirements (R4) to USAID Washington. For this reason, USAID/Kampala wishes to move the second evaluation forward in time for purposes of assisting the Mission regarding the strategic question of the relevance and focus of the IDEA activity for the future. This does not eliminate the need to undertake a retrospective evaluation. Indeed, this independent evaluation of impact covering the period since the last evaluation to date, is especially relevant for determining what kind of future effort is required. Thus, this SOW places a premium on documenting current impact, examining investments to date in the commodity focus approach, and strategic development/planning for the future. If the evaluation team believes justification for the IDEA project exists beyond current end dates, the team will recommend what elements and level of effort should be included in an institutional contract and what elements and level of effort should be outside of contract.

II Scope of Work

An external team consisting of two individuals will conduct this external project evaluation. One person will be an agriculture economist familiar with food policy and national/regional food security issues, and agribusiness/diversification/NTAE matters in East Africa and Uganda in particular. A second will be experienced in crop production and post harvest handling/marketing and stakeholder linkages in East Africa. Both should have significant prior experience with similar projects in other developing countries. One individual will be the team leader and as such will be ultimately responsible for the timely deliverable of the draft evaluation and the final evaluation report to USAID.

As noted in Background Section, the overall tasks are to (1) Evaluate impact to date of the IDEA project, the contractor and its collaborators/partners, (2) Recommend reasonable and achievable next steps for the Mission to consider in its future programming support, consistent with the GOU Agriculture Modernization Plan and with USAID's SO1 objective to increase household income. Recommendations should address future competitiveness, emphasis and level of effort on nontraditional production and marketing of specific commodities for export of high and low value commodities, (3) Provide economic rationalization that support recommendations regarding domestic food security, diversification, commercialization of agriculture, and factors related to equity, women and disadvantaged, household income generation, foreign exchange earnings, and contribution to GDP. If alternative approaches are recommended that would increase economic benefit, economic rationalization shall be provided to support recommendations.

The external team must possess a clear understanding of section C, scope of work, of the Uganda IDEA contract, the grant component of the IDEA project, the context in which the project operates in Uganda, and project accomplishments achieved thus far. The team will have full access to all the documents generated by the Agribusiness Development Center, unclassified USAID reports, other donor reports, and GOU reports.

Apart from meetings with the USAID/Kampala Mission and the ADC/IDEA TAs, the external team will obtain input from other stakeholders, including the IDEA Steering Committee (ISC), PL-480, Ministry of Agriculture Animal Industry & Fisheries, Ministry of Trade & Industry,

Uganda Export Promotion Board, National Agricultural Research Organization, FEWS, ADC clients, and others as required by the team

III Key Tasks

The external evaluation team will address the following specific issues/points

- Examine the progress the contractor has made with the six project components including accomplishments and outstanding tasks Particular attention will be given to examination of the commodity focus, the range and mix of commodities with a view to ascertain the best mix of key low value food security crops and key high value commodities where maximum impact and competitive advantage can be achieved over the remaining life of project The commodity analyses should also take into account constraints and/or opportunities related to business, finance, associations, training, etc
 - 1 Low Value Commodity Production and Marketing
 - 2 High Value Commodity Production and Marketing
 - 3 Business and Finance
 - 4 Strengthening of Associations
 - 5 Education/Training
 - 6 Project Monitoring and Evaluation
- Examine the current status of the project's End-of-Project status (EOPS) indicators including accomplishments and outstanding tasks
 - 1 Increases in export value and farm gate value of maize and beans as measured by the indicators in the contract and reported by SO1
 - 2 Increases in export value of high value commodities as measured by the indicators in the contract and reported by SO1
 - 3 At least 40% of high value producers, out growers, hired labor, and exporters assisted by the project are women
- Identify progress through the grants component of the project and any possible constraints to project implementation including the social and political climate, management of grants by the SO1 office, and sustainability factors such as building capacity through grants to indigenous commodity associations The grants provision under the project will be examined, particularly with respect to how to improve upon implementation modalities
- Examine the impact and contribution that the project will have towards the USAID SO1 and the Mission's overall Country Strategic Plan
- Identify ways in which the project can assist in accomplishing Uganda's five year Agriculture Modernization Plan including what kind of continued emphasis should be given to modernizing the agriculture sector and focusing on increased production for regional and international non-traditional exports
- Recommend any addition or elimination of activities under IDEA's scope of work that will

better lead to the accomplishment of the Mission's SO1, and Uganda's five year Agriculture Modernization Plan goals. This may include recommending level of effort that USAID should consider for the next five years or some intermediate date. In addition, this may include recommending a contract extension keeping in mind that such an amendment and extension, is subject to USAID approval and the availability of funds.

- Identify the kinds and amount of long term local and expatriate personnel positions and short term positions, and associated level of effort that USAID should consider for future programming
- Prepare a results framework in sufficient detail for any recommended extended part of the project

IV Deliverables

The external evaluation team will present a draft evaluation report to the USAID SO1 Team Leader for review which details the findings listed under key tasks in this scope of work. USAID will have two weeks to review the draft evaluation report and provide written feedback. The Evaluation team leader will then have one week to produce a final evaluation report for delivery to USAID. The evaluation team will also make themselves available for an oral presentation to USAID and to key Government of Uganda officials, as appropriate.

V Level of Effort and Timing of the Assignment

The assignment requires up to three weeks of level of effort for each member of the evaluation team. This level of effort includes time spent within the project office in Kampala, Uganda, selected field locations, sufficient time to read background material (list to be provided separately), write the draft evaluation report, finalize the evaluation report, and make any oral presentations necessary.

Reference Materials Used During the Evaluation Exercise

- 1 A Baseline Survey on Cocoa Production in Selected Districts of Uganda, 1998
- 2 ACDI VOCA News Letter September 1998
- 3 ADC Commercialisation Bulletin # 16 on Dry Beans
- 4 ADC Commercialisation Bulletin #11 on Dried Fruits
- 5 ADC Commercialisation Bulletin # 13 on Papain
- 6 ADC Commercialisation Bulletin # 14 on Geranium Oil
- 7 ADC Commercialisation Bulletin # 15 on Maize
- 8 Amplified Project Description
- 9 Assessment of ADC/IDEA Project's Impacts on the Promotion of Beans in Kasese, Kibaale and Iganga districts, 1997
- 10 Commercial Farmer Reference Manual Management, 1999
- 11 Commodity Study for Impact Assessment of ADC/IDEA Project Initiatives on Passion Fruit, 1997
- 12 EOP Status 2004
- 13 Farm Gate to Export Market Study of Maize and Beans (Covering the districts of Kapchorwa, Mbale, Iganga, Masindi, Kasese, Rakai and Masaka)
- 14 Final Draft on IDEA and Food Security - January 1999
- 15 Final Report on Uganda Country competitiveness Analysis - May 1998
- 16 Finance Market Segmentation Sources of Finance for Non-Traditional Agricultural Export Project in Uganda, 1995
- 17 First Annual Plan of Work for IDEA Project, 1995
- 18 First Semi-Annual Progress Report April 1 to Sep 30, 1995
- 19 Fourth Annual Work Plant for IDEA Project April 1, 1998 to March 31, 1999
- 20 Fourth Semi-Annual and End of Second Year Progress Report for IDEA Project, 1996

- 21 High Value Non-Traditional Agricultural Export Data Collection in Uganda, 1997
- 22 Impact Assessment of Maize and Bean Program, 1998
- 23 Maize, Beans and Soyabean Production and Sales Estimates for first season of 1997 - August 1997
- 24 Manual for Training of Agri-input Dealers, 1997
- 25 National Plan to produce and Transfer Postharvest Technologies under the Postharvest handling and storage project (KARI) in Uganda - November 1998
- 26 NTAE Investment Opportunity Forum - March 26, 1998
- 27 Marketing of Uganda's Agricultural Commodities - 30th January 1997
- 28 Packing Fresh Produce for Export from Uganda, 1996
- 29 Fifth Annual Work Plan for IDEA Project April 1, 1999 to Feb 23, 2000
- 30 Proceedings of a Training Workshop on Postharvest Constraints facing Non-Traditional Agricultural Export Crops for Uganda National Farmers Association District Coordinators and extension Personnel, 1995
- 31 Project Data Sheet
- 32 Recommendations for Improved Shea Nut Butter Processing in Northern Uganda
- 33 Results Review and Resource Request
- 34 Second Semi-Annual Progress Report for IDEA Project, 1996
- 35 Semi Annual Report for Post harvest Handling and Storage Project (Nov 1, 1997 - April 30, 1998)
- 36 Sixth Semi-Annual/End of Third year Progress Report for IDEA Project, 1998
- 37 Socio Economic Baseline Survey (Vol II) 1996
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